Challenges on the Domestication of Oil and Gas Insurance in Nigeria

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Challenges on the Domestication of Oil and Gas Insurance in Nigeria

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CERTIFICATION

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ABSTRACT

This dissertation examines the challenges of domesticating oil and gas insurance in Nigeria. The methodology adopted is both quantitative and qualitative, using questionnaire and interview to generate required data for the research.

The research identified some challenges preventing domestic insurers from insuring oil and gas risks to include inadequate capital, lack of expertise and technology, inconsistencies in government policies, poor regulation and lack of innovation.

Other findings revealed that the industry is male-dominated, ages of the experienced personnel in oil and gas departments are between 40 and50 and all are well educated and also with knowledge in Local Content Act.

The research contributes to knowledge by using primary data from practitioners in oil and gas, which is a departure from earlier studies. It also seeks the review of the Act to make it insurance-friendly, provides new methods of practice, and brings to the attention of the umbrella association, Nigeria Insurers Association (NIA), the need to foster cooperation among practitioners to merge or form pools to reduce capital challenges and avoid leakages in premium through connivance of practitioners with foreign firms. With this, more premiums will be retained to increase the needed capacity to domesticate more oil and gas insurance in Nigeria.

CHAPTER ONE

INSURANCE AND OIL AND GAS INDUSTRY IN NIGERIA

1.1 Context

My interest in the oil and gas insurance business started with my entry into the Nigerian insurance industry, with my academic background in Accounting and Business Administration. I joined the industry as an administrative staff and was later transferred to the Marketing Department, where I acquired better understanding and operations of insurance industry, both domestically and globally. These opportunities and experiences created a platform for me in the insurance industry. I later joined others to establish an insurance company, Nigerian Alliance Assurance Corporation Limited in 1996 and became the Executive Director. With the merger of my company and three other companies, I assumed the position of Executive Director, Business Development of the emerged Regency Alliance Insurance Plc, which now operates in Nigeria and Ghana. As part of my schedule, I aim to develop new businesses for the company and grow existing businesses.

In my desire to enhance my capacity as a better professional, I enrolled for a Master of Science degree in Management with the University of Lagos. I also undertook an abridged MBA in London and courses in Marine and Oil and Gas, facilitated by Marsh of London, before proceeding for the DProf programme with the Middlesex University.

In the same spirit, I further got chartered status of the Chartered Insurance Institute of London. My learning experience with the DPS 4520 has helped me to gain a better appreciation of my practice as an insurance executive in the Nigerian insurance industry and the desire to use such learning for the further development of my industry. Studying at this level of education does not only equip me with specific skills but also with broader knowledge of the world view from my area of study to enhance my practice as a professional. I embarked on the research with focus on the domestication of oil and gas insurance in Nigeria (See Appendices 4 and 11) for my DProf programme.

When the policy was introduced, which incidentally coincided with the time I enrolled for this programme, my company was not actively involved in oil and gas insurance, with about 2% of premium income earning from the oil and gas activities. Currently, a little above 11% of gross premium income comes from oil and gas activities and we have a plan of growing this in the years ahead to about 35% of my company's gross premium.

Faced with the responsibility of assisting the company to meet up with this challenge, as the Head of Business Development, I enrolled for a diploma course in Energy Insurance organized by Marsh Energy unit in London. I also attended the advanced course in May 2012 (I paid for both courses). I have invested in the literature on the subject to assist me exploit the UK market experience for our own market development (such books include *Oil and gas Development* by Jonathan C. Brday (ed) and *Energy Insurance* by David Sharp).

1.2 Background

Until the creation of National Insurance Corporation of Nigeria (NICON), the underwriting of oil and gas insurance in Nigeria was done in the overseas markets, especially in the London market. Until recently, the Nigerian insurance companies have been channels for the posting out of the premiums on these forms of risks to foreign countries. In 2008, the Nigerian government decided that 45% of oil and gas risks should be insured locally and that, by 2010, 70% of the risks should be insured by Nigerian insurers. The government policy was labelled Local Content Policy on Oil and Gas Insurance by the industry.

In a time that the world is talking more on globalization rather than domestication, there is the need to justify domestication in the Nigerian context as it applies to the Local Content Act (See Appendix11).

Each country has its own peculiar experience with regard to transition of the insurance industry. In our own case, the government has reviewed the amount of money lost as capital flight in the payment of premium to overseas insurers when in actual fact the local capacities for such classes of insurances were not exhausted.

It was on June 20, 2007 that the Nigerian Content Development and Monitoring Board (NCDMB) Office in Bayelsa State, through the National Insurance Commission, wrote a letter to all the general insurance companies in our market inviting the practitioners to a meeting on 5th July, 2007 at Engineering Building Conference Hall Victoria Island on the decision of the government to localize the insurances of oil and gas risks (Regency Alliance Insurance Plc Oil and Gas File 2007, vol. 2).

When we got the letter, my Managing Director called a meeting of the top management of the company. It was agreed that the Managing Director; the Head of Oil and Gas Risks and I (the Executive Director, Business Development) should attend the meeting.

On the meeting day, through the attendance register and from all indications, it seemed that all the general insurance companies were present as well as representatives of the trade associations, like the Nigerian Insurers Association – NIA–(for insurers), the Nigerian Council of Registered Insurance Brokers –NCRIB – (for brokers), the Institute of Loss Adjusters (for loss adjusters), the Professional Reinsurance Association of Nigeria –PRAN –(for Reinsurers), and industry sub-committees, like the Fire Office Committee, the Marine Office Committee and the Accident Office Committee.

At the meeting, the Director of NCDMB briefed the industry of the government mandate that oil and gas risks should be insured locally, a development, from all indications, that the Nigerian insurance industry had not planned for. In their response, the industry's chieftains told the government officials that they would put in place machinery for achieving this government's objective. From the discussions that I had with my colleagues that day, this seemed to be a tall order from the government. However, it was agreed that all parties should put in place machinery that would help the industry to achieve this goal.

In my own office, at our next management meeting, the Head of Oil and Gas produced a report of the NCDMB. After deliberations on the report, a committee was set up on how Regency Alliance Insurance Plc could key into this policy and make the best of it. As the Head of Business Development, I was mandated by management to chair this committee. The main term of reference is how to ensure that our company achieves the said goal and collaborates with other companies in this regard. Part of our committee's mandate was to come up with a programme towards increasing the company's participation in the oil and gas insurance business from a little above 2% to about 15% of our company's gross premium income.

In our preliminary report, we informed management that the mandate to increase our income to 15% is achievable, but to do so would require the need to increase the shareholders' funds to above 150% of the existing level. In other words, the company would need to increase the paid-up capital by about 50% of the current level. Also, there would be the need to provide a new reinsurance arrangement to protect the company against this new exposure.

In the course of trying to come up with possible suggestions on how my committee would help management and subsequently the Board of Directors to come up with a better approach to finding answers to this problem, I had to reach out to colleagues for answers. The need for us to agree on the processes to adopt in the face of the government directive on the insurance of oil and gas risks locally became glaring to the Nigerian insurance professionals. Contemplating on a more comparative approach to follow, I articulated my thoughts and sent in a formal proposal to the Marine Office Committee, through my company's representative, on the need to have a central approach to the problem.

It needs to be noted that Nigeria is an oil-producing country, with over 90% of its resources emanating from this sector. Incidentally, most of the activities in the exploration of the oil to its risk protection (or insurance) are obtained outside the country (Nigerian Content Development and Monitoring Board, n.d.).

I cannot understate the importance of oil and gas in my country. In most developed and developing countries like Nigeria, oil and gas have been identified as an essential source of energy for many activities and act as a catalyst for socio-economic development (Ayodele, 1999, 2001; IEA, 2002; Adenikinju and Ibitoye, 2006; Nakawiro and Bhattacharyya, 2007). It is expected to play different roles in an economy. It is a productive input that facilitates economic growth process by its direct influence on the productivity of other factors of production.

The literature clearly shows that modern economies were built on efficient and affordable energy supply (UNDP, 2005; Nakawiro and Bhattacharyya, 2007; IEA, 2013). The level of energy consumption closely reflects the level of economic development of a nation, as exemplified by Brazil, Russia, India, China, and the emerging world economies (BRICS and MINTS)[1]. Nigeria appears to be an exception in the MINTS category because the country's oil and gas-boosted GDP does not correlate with the levels of energy generation and consumption (Soleye, 2014). However, the oil and gas sector has aided Nigeria's growth by contributing about 90 per cent and 67 per cent to total export revenue and total income, respectively, in 2014 (CBN, 2015). Despite the huge contribution of this sector, it is highly characterized by volatility, risks and complexities.

The dwindling oil prices have raised the global demand for fossil fuels in emerging markets and this situation poses more challenges to the oil and gas industry (Massie et al., 2006; IEA, 2008; Lloyd's, 2011; Bawden, 2014). Attempts at meeting the world's growing energy demand has forced most of the oil and gas companies to seek and operate in harsh and remote environments (Lloyd's, 2011). At the end of 2008, the International Energy Agency (IEA) stated that the world's total onshore, offshore and deep-water crude oil reserves were 1120, 213 and 25

[1] (Brazil, Russia, India, China and South Africa –BRICS) and Malaysia, India, Nigeria, Turkey and South Africa – MINTS)

billion barrels, respectively. The IEA (2008) further revealed that, since the 1990s, the discovery of deep water reserves has become increasingly significant, encompassing the Gulf of Mexico, Brazil and West African countries. The deep-water discoveries moved from 42 per cent to 54 per cent of all discoveries for 2006 and 2009, respectively. This upheld the saying that the "era of easy or cheap oil is gone" (Massie et al., 2006; IEA, 2008; Gray, 2009; Bawden, 2014). This led to the emergence of new geographical and technological frontiers and risks in the exploration and development activities of the oil and gas companies. This necessitated the need for a risk bearer –the insurance company, in this volatile industry.

1.3 Defining Insurance

There is the need to come up with some explanations here on the meaning of insurance. The concept of insurance is seen to have relevance in businesses and lives globally. It is perceived as a means of transferring equitable risk, usually in terms of loss from one entity to another entity. This risk is transferred in exchange for payment, which is regarded as premium. Therefore, the idea of insurance is fundamental in production processes, as it helps to secure the survival and sustainability of businesses and lives in case of uncertainty. According to Chartered Insurance Institute (2014), insurance is a component of risk management that is used primarily to hedge against contingency of risk. Globally, insurance market is an essential market to which the survival and sustainability of the economy is anchored in order to attain economic growth and development (Ezirim and Muoghahu, 2002). In modern economy, the insurance industry plays an important role, as it helps to smoothen and mobilize resources for efficient uses in the economy.

In addition, insurance is seen as a strategy to mitigate economic losses such that the parties involved make an agreed payment to the insurance in exchange of getting reimbursement in case they suffer losses, such as fire hazards, accident and death (Nduka, 2006). Nduka's definition is more descriptive than practical, from the insurance practitioners' point, as it does not bring out the issue of indemnifying the insured of his loss –which is one of the basic principles of insurance. Oba (2003) states that the performance of insurance is dependent on the social, economic and political environments in which it operates.

Oluoma (2004) views insurance from two perspectives. The first perspective emphasizes the need that insurers make provision to protect lives and businesses against financial losses. The second perspective focuses on combination of persons and firms to contribute funds out of which claimants are paid. This gives a clearer picture of what insurance does, or rather what the people expect to get from insurance when they buy such forms of protection from the insurance industry.

Whichever way we look at it, insurance provides a means for compensation for an insured loss. Through this way, it makes it possible for the burden of loss to be shared by larger members of a pool. Chiejina (2010) observes that insurance means protection or security against the effects of certain future losses or misfortunes, such as losses caused by theft, fire, motor accident, and damage of goods while in transit. It is this security in the form of insurance cover for losses caused by fire, explosion, collapse of oil wells, and so on that the Nigerian government is compelling the Nigerian insurance industry to extend to oil and gas risks to domestic insurance companies.

Insurance companies have always received a negative attitude from Nigerians when it comes to holding insurance policy (Obasi, 2010). This has led to low patronage and slow performance owing to the poor attitude of insurers in the non-claims payment. This has created bad image and publicity about insurance industry. It is believed that insurance companies are major defaulters of claims. This has significantly eroded people's confidence and trust in the insurance industry. The resultant effect of this confidence crisis is strong apathy for insurance industry and their products. The insurance industry has remained the same, as most of the insurance policy documents still contain some clauses and ambiguity that raise distrust amongst customers (Obasi, 2010).

In most developing countries, the insurance industry has remained the link between commerce and industry. Globally, the insurance sector plays a significant role in mitigating risks and this is ever increasing, as businesses operate in competitive environment, though oil and gas companies operate in harsh environment (Lloyd's, 2011). Swiss Re (2014) states that insurance penetration rate is very low in Africa and accounts for about 3.65 per cent with total premiums US$71.9 billion, which is lower than the global average of about 6.5 per cent. This suggests that the African insurance market will have to wait a bit longer in addressing low insurance penetration. Although the 3.65 per cent penetration rate is low, it is far above the rates in other continents, like Central and Eastern Europe and Middle East and Central America (Swiss Re, 2014). In 2012, Nigeria ranked 12th in terms of insurance penetration among the selected 21 African countries. This has helped the Nigerian insurance industry to mitigate risks, which has enhanced economic development The reason both the Nigerian people and institutions have failed to adopt insurance policy is the distrust of insurance companies with respect to claims defaulting, which is responsible for the low insurance penetration in Nigeria (Pan

African, 2013). Paradoxically, Nigeria is an energy country and is the third largest insurance market in Africa (KPMG, 2014).

1.4 The Concept of Local Content and the Nigerian Insurance Industry

According to *Nigeria Insurance Digest* (2010), the capital of domestic insurance companies has been confirmed low for the energy sector and this has enhanced patronage of foreign insurance companies, leading to capital flight and leaving a minimal share to the host countries. This led to agitation by the indigenous companies for opportunities to play active roles in the Nigeria's energy sector. For this to happen, they must overcome a key constraint, which is the lack of trust in insurance products by Nigerians owing to past failures, such as poor payment history in claims (KPMG, 2014).

This has hindered the nation from optimizing the benefits of insurance activities to businesses in Nigeria, most especially in the oil and gas sector.

Although the oil and gas industry is highly volatile and requires huge investment and sophisticated technology used in its operations, there is little participation of indigenous companies in Nigeria, especially the insurance sector (KPMG, 2014). The insurance sector in Nigeria is assumed to be underdeveloped and fragmented, as against what exists in other African countries. As a result of this, the insurance sector is tagged small, uncompetitive and inefficient in managing large risks as required in the oil and gas industry. Also, the sector lacks the skills desired to manage specialized risks, which has compelled the oil companies to patronize foreign insurers at the expense of the indigenous companies (KPMG, 2014, p.5).

The Nigerian government decided to intervene by protecting its local industries through the introduction of the Local Content Act of Nigeria, which contains the

Nigerian Oil and Gas Industry Content Development Act 2010 (KPMG, 2014) (See Appendix 11). The Act aims at championing the cause of a higher domestic participation in all sectors of the economy. It is believed that increasing indigenous participation in Nigeria's extractive industry will not only reduce capital flight but also generate employment, enhance technology transfer and improve the economy. In addition, the Act is to promote the consumption of materials locally produced, utilizing indigenous human capital and resources, such as financing, infrastructure and services, thereby creating more value chains in all sectors of the economy and accelerate industrialization. This action by the government redirected the activities of the multinationals, especially those in the oil and gas sector to start embracing the home-grown companies.

Despite the adoption of the Local Content Act (2010), it is my belief that most of the domestic insurance companies were perceived not to be financially and technically capable to manage the risks associated with the huge capital-intensive oil and gas sector. This presumed view was supported from the argument of the Insurers Association of Nigeria that there was a need for the creation of a pool of resources. This opinion resulted in the establishment of a consortium known as the Energy and Allied Risks Insurance Pool of Nigeria (EAIPN) to address the problem of low participation in the oil, gas and energy sector to underwrite risks (Insng, 2015; *Business Day*, 2015; Daniel, 2015). The pool was expected to take off with $20million capacity fund, with each participating company in the pool paying $250,000 per line. About 14 insurance companies subscribed to the pool and it is managed by the Africa Re (Insng, 2015). The pool brought a breakthrough for the industry, as it offered avenues for spreading the risk involved in oil and gas business. The pool resources led to the emergence of some indigenous insurance participation, such as Lasaco Assurance Plc. partnering the USAN oil field with a premium income of about $83million; Leadway Capital managed both the Nigerian National Petroleum Corporation (NNPC) and OML 58 insurance account that was worth about $49billion and $3.1million, respectively, along with a foreign underwriter (Saghana, 2009).

As noted by O'Neill et al. (2012), as the business environment keeps changing, both the oil and gas industry and their insurance partners will have to adapt to ways to benefit from new opportunities and landscape. The recent dwindling oil prices make oil and gas projects and investments unpredictable. The risks attached to the opportunities are economic, political, environmental factors and these increase the potential for losses. This implies that it is critical for oil and gas companies to focus on quality as well as the price and their insurance cover. I believe that the industry should provide an efficient and effective service that helps at mitigating losses, transferring risk, and protecting the operations and assets of the oil and gas industry. Insurance has facilitated economic activities in the Nigerian economy, most especially the oil and gas industry. Thus, a well-developed insurance market is an important ingredient to the oil and gas industry, with the increasingly harsh operating environment and emerging operational risks. I know that this might create a serious threat to the oil and gas business and insurers' companies in terms of their profitability.

Against this background, in my office, we set up machinery that will help us achieve the desired objectives. In my committee's report, we recommended to management that, since our company had just concluded recapitalization of its capital, there is need to increase our capital just by 50% of the current capital level and make arrangements for reinsurance protection through excess of loss treaty cover for the additional risks that the company would be exposed to as a result of her exposure so that shareholders' funds would be shielded from volatile risks of oil and gas. On a personal level, I decided to attend courses on oil and gas risk insurance to enable me to have a better understanding of what is required of me as the Head of Business Development. One of the courses I attended then was also organized in London by the Chartered Insurance Institute, London. It is worthy to note that London has one of the best facilities for the insurance of this kind of risk in the world.

In the company, I put in place a study group on why foreign companies are preferred to domestic ones among the staff, who report to me where we meet every Tuesday to review developments in the sector, either from our personal studies or from other companies. Because of the complex nature of oil and gas risks, there are risks attributed to the oil and gas sector in areas of exploration and production processes. This has made the insurance sector as a crucial part of the oil and gas value chain process, which has a significant effect on the economy. Therefore, there is the need to understand the importance of the insurance sector and its influence on business performance, most especially the oil and gas sector that is highly characterized with risk across its value chain. This forms the core of my study. Hence, during the research, I asked the following vital questions: What is the proportion of domestic premium earned in oil and gas operations by the insurance sector in Nigeria? What is the nexus between the insurance sector and gross domestic product in Nigeria? What are the challenges militating against the insurance industry growing its capacity to underwrite the oil and gas risks and other complex insurance risks? What role does Local Content Policy play in the oil and gas sector for the insurance industry? My answers to these questions would form the policy statements that can enhance domestic participation and reposition my company in oil and gas insurance and all the insurance companies in Nigeria involved in the oil and gas sector, in general.

1.5 Aim of study

The aim of the study, as in most research, tends to give the overall direction of the work (Patter, 2014; Dudovskiy,2016). This has helped me to carefully decide on what I want to address in my project. My experience in the insurance industry in Nigeria and the position I occupied in Regency Alliance Insurance Plc have exposed me to oil and gas operations and the associated risks. The desire of the company was to generate more revenue, which was targeted to be through commencing participation in oil and gas underwriting. However, with this huge task at hand, I observed that most oil and gas insurance providers were underwritten by foreign companies, with little space left for new underwriters. This raised my curiosity regarding how indigenous insurance companies could develop their business, and by extension how my company would fare. Therefore, the aim of this study is to examine the challenges of domesticating the underwriting of the oil and gas sector in Nigeria.

1.6 Objectives of the study

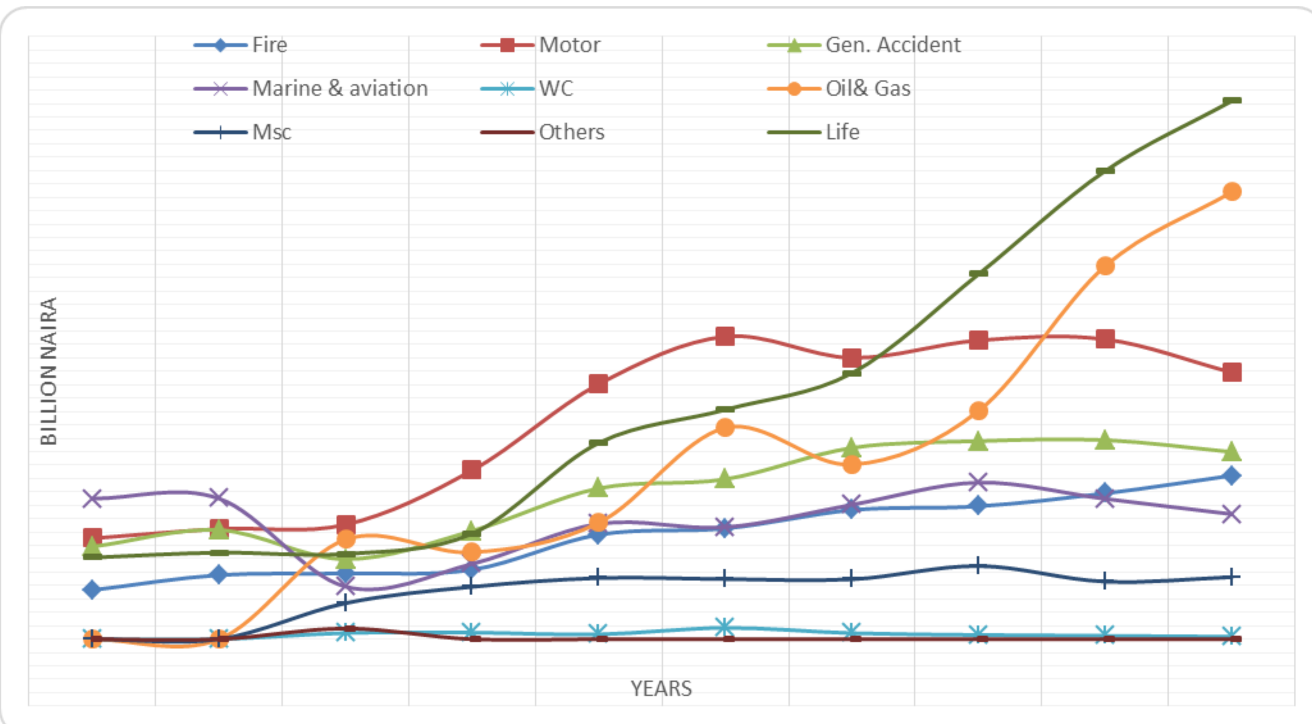
The objectives of the study are there to help shed light on how the aim of the study will be achieved (Dudovskiy, 2016). This has assisted me to conceive the aim of the study, reducing it to smaller parts through the specific objectives that are already stated.

(a) To assess the trend of oil and gas premium earned in the insurance sector in Nigeria

The trend revealed the growth pattern of oil and gas insurance in Nigeria, post- and pre-Local Content Act. The figure below shows the trend in oil and gas premium in Nigeria contributing highest to the total premium in the sector. Premium of oil and gas from 2007 grew rapidly till 2009, when it dropped owing to world recession and grew further continuously. In view of the high value of assets in the oil and gas sector, related premiums are high and continue to rise as a result of growth in assets.

Figure 1.1

The figures show the trend on premium of oil and gas insurance.



(b) To examine the impact of the Local Content Act in the development of oil and gas insurance in Nigeria

The same figures and tables in (i) above show the effect of the Local Content Act on the growth of oil and gas insurance in Nigeria which, before enactment, was almost nil.

The Local Content Act, a creation of government, ensures that only operating insurance companies in Nigeria insure all assets of oil and gas companies. Foreign companies will enjoy patronage only after indigenous companies have exhausted their capacity.

(c) To identify the factors preventing Nigerian insurance companies from underwriting oil and gas fully.

The factors include:

i. capital base of operating companies: This is reportedly low and affects the operation of the companies in the industry, and their resolve to engage in underwriting oil and gas risks;
ii. lack of technical manpower to underwrite specialized risks like oil and gas risks;
iii. lack of adequate reinsurance treaty to enable companies take on risks beyond their capacity;
iv. lack of training and manpower development of underwriters to underwrite oil and gas risks; and
v. poor regulation and compliance from government.

(d) To examine the contribution of insurance to the economic development of Nigeria.

Insurance is part of the financial sector and its premium has provided funds to the economy for investment. Capital is made available for other sectors through premiums lodged in banks and inflows from mergers and acquisitions from foreign companies. With larger capitals, higher employment opportunities exist for the people. By mitigating risks through payments of claims, standard of living is sustained because claimants are restored to their former state.

Peace of mind to investors and producers is guaranteed on their investments, and this enables them to focus on their primary businesses.

All these contributions positively impact on the economy.

This calls for concern among policy-makers and insurance personnel, among whom I operate. This has made me ruminate on the same challenges, which then metamorphosed into the research problems.

In 2007, the Nigerian government, through the Nigerian Content and Development Monitoring Board, introduced the Local Content Policy, which mandated certain sectors that provide services to the oil and gas industry in the country to be sought locally in the country. One of such services is the provision of insurance protection to the associated risks in oil and gas business.

The policy initially mandated that the Nigerian insurance companies to provide 45% of such insurance to the sector at a time when the majority of the companies were not providing any cover at all to the sector (PWC, 2015). The non-provision of such cover is due to lack of capacity to do so by the companies, lack of adequate reinsurance treaty, lack of adequate, competent and skilled hands by the insurance operators, among others.

On the part of my own company, Regency Alliance Insurance Plc., as an example, we were confused on what to do initially with the government directives. However, after some meetings by senior management and having reviewed the challenge and identified the available opportunities that the adoption of the policy would bring to the company, we set up a committee that would report to management the way forward on the adoption. I was appointed by management to lead this committee. It was in the course of working on the challenges that I decided to further study this at doctoral research level, hence the topic of my DProf programme on the Challenges of Domestication Oil and Gas Insurance in Nigeria.

The oil and gas industry is highly characterized with risks as a result of its operations, which has made insurance a relevant concept in the industry. In Nigeria, the oil and gas industry has remained the most viable sector owing to its contribution to export, foreign exchange and revenue generation (CBN, 2016). However, the risks of this industry are solely covered by foreign companies and it became a concern to the industry, especially to some of us that are insurance leaders. Why would a sector be controlled by foreign insurance companies, despite the available human and capital resources in the country? This is because 80% of Nigeria's revenue and more than 90% of its foreign exchange earnings come from this sector. Although globalization postulates that companies can invest and operate in foreign countries to complement resources, maximize profits and support the theory of insurance for the spread of risks, Nigeria did not want to embark on this concept at the expense of the domestic companies (Hammond, 1980; Pelosse et al., 2013; Kwak, 2015). In most developing countries, such as Ghana, it was observed that foreign companies have dominated key sectors, thereby posing a huge threat to the domestic companies; this has led to pursuing indigenous participation. For instance, the Nigerian government adopted the Local Content Act in order to pursue domestication of insurance in the oil and gas sector.

Despite this, the income earned by the domestic insurance industry from the oil and gas sector has remained minimal.

This calls for concern among policy makers and insurance personnel, among whom I operate. This has made me ruminate on the same challenges, which then metamorphosed into the research problems.

Therefore, the research problems are:

- To establish the trends of the oil and gas premium in the overall insurance sector income in Nigeria.

  Since the discovery of oil in Nigeria at Oloibiri, foreign insurance companies with large capital and technical expertise insured the oil and gas sector until government intervention, particularly important for a sector that contributes over 90% of the country's foreign exchange (CBN, 2016). Even when indigenous insurance companies saw the need to participate, they dreaded underwriting this risk in view of the volatile nature of the oil and gas sector and were satisfied to earn commission from overseas. This gap made the Nigerian government experience capital flight from reinsurance payment. The government therefore intervened to pursue domestication of oil and gas insurance in the interest of indigenous insurers, in spite of their lack of capacity. When the Local Content Act was enacted, some insurance companies began to develop their business in the oil and gas sector and there has since been growth in premium income from the sector.

- The need to understand how the Local Content Act 2010 has affected oil and gas insurance domestication in Nigeria.

In Nigeria, oil and gas have been identified as essential sources of energy and a catalyst for a socio-economic development (Adenikiju and Ibitoye, 2006). There is, however, little participation from indigenous companies to underwrite oil and gas risk for a sector vital to the economy of Nigeria (KPMG, 2104). The government therefore saw a need to encourage the insurance sector to contribute meaningfully to the Nigerian economy, hence the need for the question on the role of oil and gas insurance in Nigeria.

According to Nigeria Insurance Digest (2010), capital of domestic insurance companies has been confirmed to be low for the energy sector and this has enhanced the participation of foreign insurance companies.

An Energy and Allied Risk Insurance Pool of Nigeria (EAIPL) was set up by insurers to address low participation (Daniel, 2015). Many other factors, such as requisite manpower and infrastructural deficit, have denied local insurers the big premiums associated with the oil and gas sector. There is a need to reverse the trend.

- Understanding the factors limiting the domestication of oil and gas underwriting in Nigeria.

  In 2008, the Nigerian government decided to make it compulsory that 45% of oil and gas risk should be insured locally, growing to 70% by 2010. This was to help indigenous insurance companies to develop in the sector, with the attendant benefits of premium income to the industry and the economy as a whole.

  The Act therefore makes it compulsory that insurance is the exclusive preserve of local insurers until they exhaust their capacity, and only then can foreign insurers participate.

- How important is the contribution of oil and gas insurance to the economic development of Nigeria.

  Insurance protects life and businesses against financial losses (Oluomo, 2004), Insurance helps to secure the survival and sustainability of businesses and lives in case of uncertainty. This also applies to the oil and gas sector, a mainstay of the Nigerian economy. Insurance therefore, in paying claims, gives stability to the economy.

There was dominance by foreign companies in the insurance sector in Nigeria, especially in the oil and gas sector (Ihua, 2010). Stakeholders raised the concern that, if drastic measures were not taken, the situation might spell doom for domestic companies.

Available data showed that, before the Local Content Act 2010, most of the small companies in the market were denied opportunities to participate in the oil and gas insurance business by the bigger companies (Africa News, 2010). Nigerian insurance companies, including my company, Regency Alliance Insurance Plc, agitated for retention of significant premiums locally to grow the industry.

1.7 Justification for the study

It is ironical that, although oil exploration had been taking place in Nigeria, Nigerian insurance companies did not deem it appropriate to come up with a platform to ensure that a reasonable percentage of the oil and gas risks were insured locally, until they were prompted to do so through the emergence of the Local Content Policy (See Appendix 11). Globalization has been widely accepted and it comes with its merits, such as enhanced capital mobility, transferred knowledge and interconnection with the world. However, it comes with a reservation that has led to the decline of industries in developing countries, as these local/domestic industries are not yet matured to compete with their international counterparts (Ovadia, 2013). In Nigeria, there is the dominance of foreign companies in the insurance sector, particularly in the oil and gas underwriting in Nigeria (Ihua, 2010). Stakeholders have raised the concern that, if drastic measures are not taken, there might be danger for the domestic companies. The idea of local content is not strange to Nigeria; my search has shown that countries like Brazil, Norway, Indonesia, Algeria, and South Africa have one form of the policy or the other. The reason countries adopt the policy is to assist them to attain development through looking inward for activities that would enhance revenue generation in their economies.

Although the Local Content Policy was introduced in the oil and gas sector, the industry is still lagging behind in implementing the policy in its operations. For instance, in my company, we are yet to achieve the 2008 benchmark of 45% almost ten years after the introduction of the policy. So are other companies in the market.

We live in a global world and insurance is an international business. The question is "Why domestication instead of globalization?" Maybe we want to say "Nigeria first" before others. The idea of globalization postulates the interconnection between countries to benefit from international competitiveness (Sethy, 2012). This interaction has helped to strengthen the exchange of trade, cultural production and financial transaction with the industrialized countries. This exchange has resulted in improved trade, technology, efficiency and capital mobility (Manolica and Roman, 2012). The merits of globalization are enhanced productivity and specialization, efficiency (benefits from the economy of scale and cost competitiveness), free flow of goods and services (raised investments inflows), creation of employment opportunities in all the countries involved in trade, reduced cost of production, access to cheap raw materials, promotion of infusion of foreign capital and labour mobility, and better technology and finance. The demerits inherent in globalization are depletion of resources, tax avoidance by multinational corporations, killing of tradition and competition, and overdependence on developed economies, which retards the pace of industrialization of developing countries (Manolica and Roman, 2012). When this is linked to the Nigerian oil and gas underwriting, there is concern as to why the foreign companies dominate this industry. This has engendered the clamour for domestication by the government through the Local Content Act, which gives more roles to the domestic insurance organization.

The need to reduce capital flight and encourage the use of local capacity prompted the government to come up with the Local Content Policy. This policy requires that a reasonable amount of the insurance of oil and gas risks be placed within the country.

Available data showed that before the policy, most of the small companies in the market were denied the opportunity to participate in the oil and gas insurance business by the bigger companies (*Africa News*, 2010). This is through a system where the big companies take the risks from the oil companies and retain little or nothing and reinsure the accepted risks to a foreign company to earn reinsurance commission (Daniels, 2015). This denied the smaller ones the opportunity to participate and committed the country to capital flight through the payment of reinsurance premium. This discovery generated interest in me to find out factors responsible for low participation of domestic insurers in Nigeria in the oil and gas sector. Answers to this will assist us to come up with a more appropriate approach to solving the problem.

Moreover, there is knowledge gap from the professional angle. Most existing studies in Nigeria are academic studies that concentrated on insurance, insurance premium and economic growth (Anthony and Luke, 2011; Oke, 2012; Elendu, 2013; Ozuomba, 2013; Akinlo and Apanisile, 2014).The works of Ovadia (2013a, 2013b; 2015) focused on Local Content Policy in the Nigerian oil and gas industry, but not from the professional angle. This study departed from previous studies by focusing more on oil and gas underwriting in Nigeria in addition to the challenges of domesticating oil and gas underwriting in Nigeria, which has been neglected from the professional perspective (*All Africa*, 2015).

Also, the oil and gas sector continue to witness fluctuations in the international crude oil prices. This poses a huge threat and has impacted on the operations and profit of the oil and gas companies as well as the Nigerian economy. This has affected the Nigerian economy through the decline in the accrued oil and gas revenue and this has trickled down to the premium income earned by the insurance industry. Therefore, the study reflected on the likely implications of dominance of oil and gas underwriting and the risks that might arise in connection to over-domestication of oil and gas insurance, which contradicts the risk-spreading principles of insurance.

The issue of domestication of insurance may look strange for anyone coming from an advanced economy. This may not be so for someone coming from a less advanced economy. As a result of the fragile nature of the latter economy, the governments of such countries, in order to protect the industries in the economy against the adverse effect of competition, will come up with this kind of policy. I believe this is the reason behind the introduction of the Local Content policy, which I earlier noted came to the operators with little or no notice; the operators were not prepared for such when it was introduced by the government.

Lastly, this study would extend the frontiers of knowledge, especially from the professional angle and in the areas of oil and gas underwriting and Local Content Policy implementation. To this end, I strongly perceive that this study would be a worthwhile study, as it explores the constraints hindering domestic insurance companies from underwriting the oil and gas policies in Nigeria.

In the next chapter, l will review relevant literature by scholars and practitioners on this research.

CHAPTER TWO

TERMS OF REFERENCE AND REVIEW OF RELEVANT LITERATURE

2.1 Terms of Relevance

The essence of this review was to enable me to reflect on the state of knowledge in my chosen topic and see how to advance reasons for the choice. This review provided me with opportunities to understand the research topic, what exists on the subject matter, how these studies were carried out and the major findings of these studies; this formed a background for me (Hart, 1998, p.5). This really helped me to understand the fundamental issues, theories, risks attached to the oil and gas operations as well as the approach applied and criticisms of these studies over the years.

I have set out to use documentary evidence in reviewing the literature for the research (Duff, 2010) to see if there is any gap in learning.

The search for crude oil in Nigeria started in 1908, when the Nigeria Bitumen Corporation (a German firm) embarked on exploratory activities at that time in the Araromi area in the present Ondo State, Nigeria. The explorers did not find oil at that time; but at present that area is part of the oil-producing areas in Nigeria (Adepoyigi, 2005).

At that time the colonial government enacted the Oil Minerals Act 1914, which rested the administration and control of oil affairs on the government. According to Adepoyigi (2005), during the period of 1914-1918, the granting of licenses for oil production was restricted to British companies and individuals. The Shell-BP joint venture discovered oil in commercial quantity in 1956 at Oloibiri in the present-day Bayelsa State (Nigeria) and commenced production of about 5,100 barrels per day. Oil exploration in Nigeria has developed to be the main source of export, foreign exchange earnings and revenue to the Nigerian economy (Adenkinju, 2017).

There are no documentations on the origin of oil and gas insurance in Nigeria. Professionals like Adepoyigi (ibid), Efiom-Ekaha (2009) and Egerue (2010), either by commission or omission, failed to trace the origin of oil and gas insurance in Nigeria. However, I can deduce from the position of Irukwu (1989) that the establishment of National Insurance Corporation of Nigeria (NICON) led to the offering of insurance cover to this type of risk in Nigeria. This means that oil and gas insurance were initiated by the National Insurance Corporation of Nigeria, as its enabling 1969 Act empowered the company to "underwrite all classes of insurance in the land".

My company, Regency Alliance Insurance Plc. (RAIP), started the underwriting of oil and gas risks as an indigenous insurance company from 2008. This was the same time that I emerged as the Executive Director of Business Development. Part of my duties in this capacity is to generate businesses, including oil and gas insurance.

2.1.1 Identification of Gaps Addressed in the Literature and in Practice

In the search of literature for the research while proposing for the topic, I visited some major libraries housing the insurance literature in my country, such as the libraries of the University of Lagos (the pioneer of insurance education in the country), Chartered Insurance Institute of Nigeria (which has the largest holding of such literature in the country), and National Insurance Commission. I discovered that, although there were materials on different aspects of insurance, there was nothing except primary literature on Local Content policy as it applies to insurance. The web search too did not help much in this regard.

This should be understandable, as the Local Content Policy is novel. This has posed some challenges to practitioners in the industry. There is no such policy in the UK market where most of the practices in the Nigerian industry are drawn from and adapted to suit the local environment.

2.2 Ontological Reflection

There is need for me to explore the range of knowledge and perceptions available to me in carrying out this research. This vast range of studies and knowledge will allow me to identify and proffer solutions using an array of theoretical perspectives and methodologies (Grey, 2009). There exists a strong interrelationship between the theoretical stance and the method adopted by the researcher.

Although this research centres on a professional challenge facing an industry, this challenge could be reduced to a philosophical theory from the direction of ontological reflection. The Institute for Work Based Learning, Middlesex University 2015 Manual assisted me to note that ontological perspectives can be represented simplistically on a spectrum from a completely deterministic view. It is my determination to see how the Nigerian insurance industry could brace up to meet this challenge from the summation of the available literature on the subject, as presented in this chapter.

2.3 Reflecting on my Role as a Change Agent

I have been in this industry for over two decades – I am aware of some of the challenges confronting the industry. Having practised insurance at the top management level for some time now, my experience will assist in coming up with solutions that will bring growth to the industry based on the findings from this research. To carry out this research, I have embarked on reading and reflecting on the practice of insurance in Nigeria right from its inception.

This means that there will always be the need for a collaborative approach in carrying out a research of this nature. As McNiff and Whitehead (2010) observes with regard to interpersonal ways of working:

> Your most precious is you. Personal relaxation and concentration are essential to high performance and personal fulfilment. Doing research enables you to re-enter the world of learning, a world that many might find possible and daring to find ways to do it. Professionals often feel anxious that they may not know the correct answers. No one can know everything, and it is human existence to explore the amazing world of ideas.

Based on the above position, I hope to take forward the practice of insurance in Nigeria through improving the practice in my organization, by coming up with programmes that will increase our underwriting capacity and market position. I believe this will ensure that our gross premium income from oil and gas, which is at about 30% of the total income, is increased to 70% because over 90% of the Nigeria's income is derived from oil and gas activities.

I will ensure that I promote good practice through paper presentations and publication of articles on oil and gas insurance to create awareness among my peers on the need for us to deepen insurance penetration and density through the underwriting of oil and gas risks. In chapter 6, I will indicate the effect of my role and steps to take in the industry to make it a better place for all.

2.4 Motivation to Study for the DProf

Over the years, I have acquired knowledge and experiences in the insurance industry both in developed and developing countries. I discovered that in most of the oil and gas operations, insurance is solely undertaken by the foreign companies. This made me to wonder on why foreign companies alone and what has made them unique and favourable for oil and gas companies in Nigeria. The level of the insurance market is wide and broad in scope, as it covers nearly all facets of life, especially in the developed countries (Zogbenu, 2015). This has made me to reflect further on why this is not the case with the developing countries, such as Nigeria. To get support in appreciating the problem, I attended some conferences on oil and gas insurance in Nigeria and the UK, this widened my imagination and raised my curiosity to learn more on the subject. I then sought to find a university that offers work-based research. This led me to enrol for the DProf programme of the Middlesex University.

Lastly, the need to increase manpower capacity in the insurance sector in Nigeria and create fundamental knowledge in oil and gas underwriting as well as the opportunity that abound for practitioners triggered my passion and desire for DProf. This was to make have deeper insights into the oil and gas sector.

2.5 Enhancing the Study's viability

The research will produce an original or distinctive contribution to insurance practice, as it is a novel one. To the best of my knowledge, there is no study of this nature in Nigeria. The Local Content Policy itself is new in the Nigerian context within insurance practice.

A study of this nature should be carried out as an action research. It is because of this that I approached various stakeholders, notably the National Insurance

Commission (See Appendices 6 and 7), the Nigerian Content Development and Monitoring Board, the Nigerian National Petroleum Corporation (through personal visits and telephone calls). This was to collect data and find out their plans in patronizing the local market in their insurance placement with the inception of this policy.

2.6 Review of Literature and Information

2.6.1 Introduction

The essence of the review is to reflect on the state of knowledge in my chosen topic and see how to advance my reasons for this choice. According to Hart (1998), literature review is crucial; without it, it may be hard to have a better understanding of the topic and issues, what has been done in the past, the approach used and their findings as well as the criticisms of such. This really helped me to understand the fundamental issues, theories, risks attached to the oil and gas operations as well as the approaches applied and the criticisms of these studies.

This section is classified into theoretical review, conceptual review and empirical review. The theoretical review considers the risk theory in relation to insurance, whereas the conceptual focuses on the global, African and Nigerian perception about insurance as well as the Local Content Act, challenges in the oil and gas sector and cross-country comparison of insurance activities. The empirical review juxtaposes the academic and professional views with respect to insurance activities in Nigeria.

2.6.2 Theoretical Review (Theories Related to Risk)

Everyday, we are surrounded by risk that threatens our lives and property (Almer, n.d.). According to Roeser et al. (2013), risk theory gives the framework that ensures mitigating uncertainty with respect to unexpected and unanticipated events. Risk theory reflects on the available decisions and options that people take when faced with uncertainty about their future (Delee, 2017, p.6). Risk is perceived as part of human behaviour that makes provision against uncertainty. The more competitive and harsh the business environments in which organizations operate are, the more they are exposed to risks (Spikin, 2013, p.90). This idea has awakened the level of risk awareness among organizations, especially the oil and gas industry. Despite this awareness some individuals and organizations are less bothered.

The oil and gas industry is characterized with equipment and driven by technology in order to meet the ever-increasing demand. This exposes the industry to new threats and risks that cut across operational, market, and other associated risks. Although different authors (such as, Campbell, 2005; Willis, 2007; Terje and Ortwin, 2009; Hermans et al.,2012; Zhang et al., 2013) have defined risk based on their various perspective and disciplines, the position is that organizations embrace insurance to mitigate the uncertainty that might threaten their survival and sustainability either from internal or external circumstances (Hillson, 2006; Spikin, 2013, p.90-91).

Risk is the potential of losing and gaining value. It helps to reflect the degree and optimal exposure to risks attached while making business or investment decisions and especially to the oil and gas that is highly associated with risks and uncertainties. There is a wide difference between risks and uncertainties. Concern of not knowing for sure what will happen is regarded as risk, whereas not knowing the odds of what will happen is perceived as uncertainty (Hermans et al., 2012, p.3; Spikin, 2013, p.92). The two notions are dominant in oil and gas operations.

It has been established that most decisions are characterized with uncertainty (Delee, 2017). For instance, the price of oil and gas fluctuates, which affects the operations of the industry as well as the expected premium to be earned by the insurance companies. In practice, this has compelled both individuals and organizations, especially those involved in oil and gas to buy into insurance policies. Although this argument does not specify where and how to buy these insurance policies, greater concern now is where to buy (foreign or domestic market). This is the focal point of this study.

In summary, all that the risk theory has emphasized is the need to plan to evade and reduce the effects of uncertainty through insurance policies.

2.6.3 Conceptual Review on Oil and Gas and the Insurance Industry in Nigeria

2.6.3.1 Overview of the Insurance Industry

I will begin by stating that insurance relates to every aspect of our day-to-day businesses and lives. The relevance of any given sector to the economy is measured through the employment generation and contribution of the sector to the overall gross domestic product (GDP). In Nigeria, the insurance sector has contributed significantly towards GDP but there is room for improvement. Although insurance activities are low, they have attracted and served as a precondition for the emergence of some businesses, whereas some businesses would not see the light of the day (Egerue, 2010). Therefore, the insurance sector has remained a vital component of the financial sector in mobilizing resources and funds. Yet, as good as insurance policy is, most Nigerians and institutions see it as unnecessary and no need to incur such expense (Irukwu, 1989). Therefore, insurance is seen as the products being enjoyed by the rich, whereas the low-income earners are faced with survival issues that they can hardly afford to pay the premium as and when due. Those who believe this notion do not see insurance as a tool of managing risk (Lloyd's, 2010). Consequently, some low-income people patronize insurance through the health scheme that mainly focuses on death, illness, retirement income and property loss (Lloyd's, 2010). For instance, the Federal Government implemented the National Health Insurance Scheme for her employees, with a token being deducted monthly from the employee's salary. This spread to all state employees, while private organizations were compelled to embrace it. This compulsion brought to the fore the benefits of insurance, which further influenced the need to embrace insurance.

Adebisi (2006) states that insurance is an intricate subject that revolves around economic and social values in handling risks of life and non-life (such as assets and property). The cooperation of several individuals to pool financial resources together is needed to fight against and reduce the effect of a common cause, which is the risk in insurance. As the unforeseen circumstances keep happening, insurance companies design insurance products to address such risks. This implies that, for a new set of risks, a new insurance set of packages will emerge to address such risk exposures. Also, insurance is a legal contract that reflects a form of agreement between two or more entities that are bound under obligation as contained in the contract deed. In this way, insurance provides guarantee of compensation for loss, damage, illness, death and so on. Once the regular payment, known as premium, is paid, a policy is incepted to the insured (*Oxford Dictionary*, 2016). This is only possible where there is pooling of risks by people with homogeneous risk exposure so that, in the event of loss, from the pool, they are compensated by the insurer who serves as managing agent of the pool.

Furthermore, Aslan and Kucukaksoy (2006) state that the insurance sector helps in mobilizing funds into the financial system. How the funds are used will be effectively monitored and planned to ensure the profitability of such projects. As the insurance industry develops, it tends to strengthen the financial system through risk transfer and compensation, financial intermediation and distribution of various risks effectively, which will translate to economic growth. Hence, the insurance industry fosters investment through capital accumulation and mobilizes direct domestic savings to domestic investment.

Similarly, Hammound et al. (2006) view insurance as a means of assembling funds from different insured entities to mitigate losses and damage that can happen at any time. This is done with the expectation that the insurance companies can guarantee part or full cost for the losses and damage incurred. Insured entities are charged a specified fee called premium to protect against risks. This depends on the frequency and severity of the occurrence of the events. This brings to the fore the fact that the insurance industry is an integral part of the financial sector in any given economy (Encarta, 2010).

With regard to the academic perspective in recent times, there is growing awareness towards risk management, resource allocation and customer loyalty owing to the ever-changing business environment that has created a niche and demand for insurance products in the last decade. Unexpected events or happenings tend to be increasing the insurance companies' or industries' performances with respect to hedging of risks and promotion of investment and subsequent economic growth (Njegomir and Marovic, 2012).

Also, insurance activities are a vital tool of mobilizing resources, particularly funds to facilitate investment that is made available through the financial markets. These investments are pronounced by inducing economic growth in which the risk attached to this investment is transferred to the insurance companies (Alhassan and Fiador, 2014). However, the low penetration of insurance in Africa, except for South Africa, has denied African countries the opportunities to mobilize funds for development (Swiss Re, 2015). Generally, as the insurance penetration keeps increasing, it tends to influence insurance premiums, which are the major drivers in emerging markets. This has attracted much investment from developed countries to the emerging ones, which guarantee risk from insurance companies (Alhassan and Fiador, 2014).

In addition, the level of the growth of the economy most times determines what happens to the insurance industry and its relevance. This suggests that the insurance products that exist in an economy is largely influenced by the environment and economic activities. It follows that the insurance sector does not stand alone in an economy but is influenced by economic activities such as the number of contracts awarded, business enterprises, number of cars, property and resources, as all these activities will pay premiums on their resources and assets. Therefore, insurance density and penetration is a function of the aforementioned factors (Vacarel and Bercea, 2000; Firtescu, 2014).

Insurance market is viewed from diverse perspectives based on each country's operating environment. This depends on countries, regions, the level of economic development and the insurance industry in the country of focus. For instance, Firtescu (2014) identifies the salient features of most insurance markets to include insurance market transparency, products homogeneity, insurance market atomization, decision-making process in the insurance industry as well as the entry and exit of participants and agents in the insurance industry in the prevailing country with different features for different countries. So, to a large extent, the level of economic growth directly determines the pace of development of the insurance industry, which can be positive or negative. For instance, the crisis in an economy tends to engender downward trends of businesses and economic activities, leading to a decline in demand for insurance products and investments, halt in new and emerging businesses and enterprises, as well as delay in the payment of premiums and claims payment, resulting in higher costs of insurance policies. In Nigeria, this connotes that people and businesses might be lured to drop insurance policy and fight for survival (that is, consume the fundamental basic needs of life, such as food, cloth and shelter) with the available income rather than consume insurance which will halt the development and penetration rate (Firtescu, 2014).

In summary, evidence from these scholars show that insurance is identified as a channel of transferring and evading risks with the intention of mobilizing resources, especially funds to complement existing investment to enhance economic growth and development. This has positioned the insurance market as a key integral part of the financial services that exist in any given economy. During this study, I considered insurance market as well as its components, such as insurance penetration, density and premiums earned, from global perspectives and African perspectives, with special concentration on Nigeria insurance industry, which is the focal point of this research. Thereafter, I explored the history and transition of the insurance industry in Nigeria over time and the existing business coverage.

2.6.3.2 Global Perspective on Insurance

Globally, the insurance industry is a big market and has been mainly dominated by the wealthy developed countries, which are referred to as the G7 countries. The world's insurance premiums of about 65 per cent are attributed to the G7 countries.

This sounds paradoxical, as the G7 countries can only account for about 10 per cent of world population (KPMG, 2013). The emerging economies are the major economies responsible for increasing insurance market globally with an average of \$136, whereas the African's average is \$61. This figure revealed that the African insurance market is still low and under-developed despite its huge population and resource endowments. This shows the uniqueness in the African insurance market and the attitude of Africans towards insurance policy. This poor attitude might be attributed to high poverty rate; most Africans can hardly buy or consume insurance policy with their low-income. This low income is apportioned strictly to meeting the basic needs of life which are food, cloth and shelter, which makes insurance a luxury good (KPMG, 2013). However, I strongly believe that, as income increases, and the standard of living improves in African countries, insurance policies will become cheap and accessible to the African people.

In 2015, the insurance market in Africa is still under-developed and this has been well established through its low premium earnings of approximately US\$68.9 billion. This value showed that the African market only accounted for 2.79 per cent of world insurance penetration. (Swiss Re, 2015). According to the KPMG report, the African insurance penetration rate that stood at 2.79 was significantly below the world average of 6.17 percent (KPMG, 2013). However, the report indicated that both European and North American insurance markets are well developed with higher shares of insurance penetration being greater than the world average. This argument is well conveyed through Table 2.1, which shows the connection between regions, premiums earned and the penetration rate of insurance. Hence, the table essentially captures regions' depths of insurance markets.

Table 2.1: Depth of Insurance Markets by Continents, 2014

Continents	Total Premiums (US$ billion)	Penetration Rate (%)	Density Premiums per capita (US$)	Premiums % of GDP
World	4778.25	6.17	641	6
Europe	1697.53	7.47	1902	6.8
North America	1405.82	7.31	3969	7.3
Asia	1317.57	5.24	307	5.2
Emerging Markets	838.92	2.71	136	2.7
Oceania	100.12	5.92	2600	5.9
Africa	68.9	2.79	61	2.8
Middle East & Central Asia	49.1	1.55	142	1.6

Source: Author's computation and data from Swiss Re (2015)

Table 2.1 shows the level of development experienced in the insurance market across the continents. Africa ranked second to the last, with Middle East and Central Asia still with higher penetration rate, whereas Europe is the most developed market, followed by North America. In addition, both Europe and North America are more mature and developed than the global average. Consequently, both the emerging markets and Middle East and Central Asia have performed poorly behind Africa, with huge prospect that exist on the continents.

After presenting the continents' perspective there is need for me to examine the African continent, with focus on Nigeria. The African perspective and how well the insurance market has developed using some indicators are displayed in Table

2.2. These indicators include total premiums, population, penetration rate, density premiums per capita and share of premium to GDP.

Table 2.2: The Size of the African Insurance Industry for Selected Africa in 2014

Countries	Total Premiums (US$ billion)	GDP (US$ billion)	Insurance Penetration rate (%)	Insurance Density Premiums per capita (US$)	Premiums % of GDP	Population (million)
Algeria	1597.3	225.5	0.71	40	0.7	39.9
Angola	1141.8	144.6	0.79	52	0.8	22.2
Egypt	1967.6	285.7	0.69	24	0.7	83.4
Ghana	408.4	40.2	1.02	15	1	26.4
Kenya	1783.7	60.6	2.94	39	2.9	45.6
Libya	247.1	70.4	0.35	39	0.4	6.3
Morocco	3399.6	106.7	3.19	102	3.2	33.5
Mozambique	259.4	16.9	1.53	10	1.5	26.5
Nigeria	1789.6	586.3	0.31	10	0.3	178.8
South Africa	49159.5	350.5	14.03	925	14	53.2
Tunisia	888.3	48.5	1.83	80	1.8	11.1
Zimbabwe	513.6	13.9	3.69	35	3.7	14.7

Source: Swiss Re (2015)

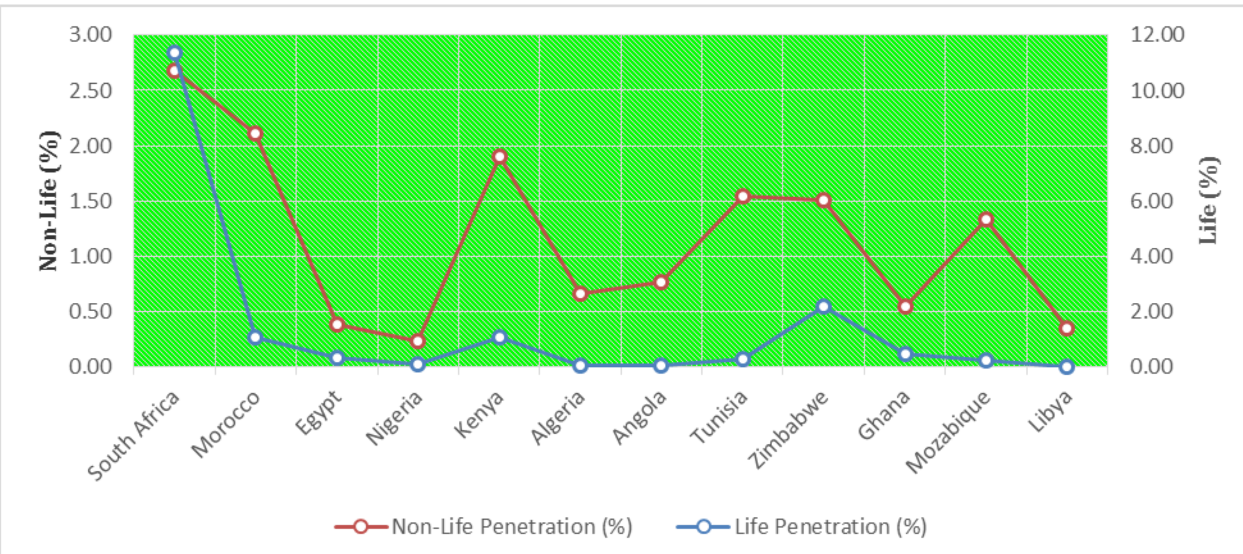
Table 2.2 shows the cross-country information on the level of growth and development of the insurance market. Among all the selected countries considered, South Africa stood out as the most developed, followed by Zimbabwe and Morocco. Swiss Re (2015) states that South Africa is among the most developed countries in the world that, with two digits of insurance penetration rate. This positioned South Africa far above Asia, Africa, Middle East and Central Asia, emerging economies and the world average in terms of insurance density in 2014 (Swiss Re, 2014). The countries that have performed poorly about insurance penetration are Libya and Nigeria. The success story of South African insurance penetration might be linked to the size of its economy, which is the biggest among African countries, as reported by World Bank (2014). Countries with less developed insurance market with less than 2 per cent are Nigeria, Libya, Algeria, Tunisia, Angola, Mozambique and Ghana; while the well-performing insurance markets, with 2 per cent insurance penetration and above, are Kenya, Zimbabwe and Morocco with the exemption of South Africa, which was well ranked as at 2014.

Besides, among the selected countries, Nigeria ranked the least in terms of insurance penetration, despite her huge population. It is believed that the Nigerian population should favour and strengthen the development of insurance penetration, but this is not true, as countries with lesser population, like Kenya, Tunisia, Zimbabwe and Morocco, were well developed and better rated in insurance penetration and density premium per capita in 2014 (Swiss Re, 2014). Among the energy-endowed countries, I observed that Nigeria ranked least among other oil-and-gas-endowed countries, such as Algeria, Angola, Libya and Mozambique.

To explore the two main insurance products, I examined insurance penetration with respect to the two broad classifications, namely life and non-life, for selected African countries (Swiss Re, 2015). From Figure 2.3, I observed a clear difference between the two broad classifications with respect to insurance penetration. Life insurance has remained the most pronounced and prominent in African countries, with the exemption of South Africa that is mature and can compete reasonably.

Despite the low-income level, accompanied with high poverty rate, life insurance remains high and has high prospect for the insurance industry. On the other hand, non-life insurance has emerged as the most sought-after insurance policy in African countries, which might be attributed to the large volume of non-life products, such as motor vehicles, fire, accident and business enterprises (investment) and foreign investment in Africa. The life insurance and non-life insurance penetration rate is displayed in Figure 2.1 below.

Figure 2.1: Insurance Penetration for Life and Non-life for Selected African Countries (2014)



Source: Swiss Re, 2015

As stated earlier, there are several factors that have been responsible for poor performance in the African insurance market. These factors include the existence of bureaucracy and poor judicial system, regulatory bottlenecks, inadequate personnel and expertise, lack of reliable information, lack of trust from people towards the financial service providers, inconsistent government policies, religion and cultural beliefs and shallow financial markets. All these make it difficult to raise adequate capital base requirement for insurance and re-insurance companies (KPMG, 2013; EY, 2015).

In conclusion, the insurance market in African countries is still underdeveloped compared to European countries. This indicates that the African people are aware of the benefits of insurance but are yet to be convinced about the reliability of insurance companies with regard to not defaulting in claims when the need arises. Low performance can be reversed if there is improvement in both economic and political stability, standard of living, infrastructure and ease of doing business in African countries (KPMG, 2013).

2.6.3.3 Growth of the Insurance Sector in Nigeria

Nigeria is well positioned in Africa and has advantages in terms of population size and attracting foreign investment, which have fuelled her economic growth over the years. Since the return of the democratic era in 1999, foreign investors have started perceiving the Nigerian economy differently with respect to channelling their investment. This perception, along with programmes and policies, such as Local Content Act, Pension Scheme and National Health Insurance Scheme (NHIS), and the Central Bank of Nigeria directives of 2010 to reserve universal banking licenses, forced most of the banks to divest insurance subsidiaries significantly. This raised the insurance market to a higher level. This made some insurance companies to seek funds and consider other alternatives, such as mergers and acquisition, to survive. These policies and programmes might have been the major drivers that transformed the insurance industry in Nigeria, winning for it the trust of foreign investors. After implementing the policies, the insurance sector witnessed an improvement, yet the insurance penetration has remained low, positioning Nigeria as one of the lowest countries globally (Swiss Re, 2014).

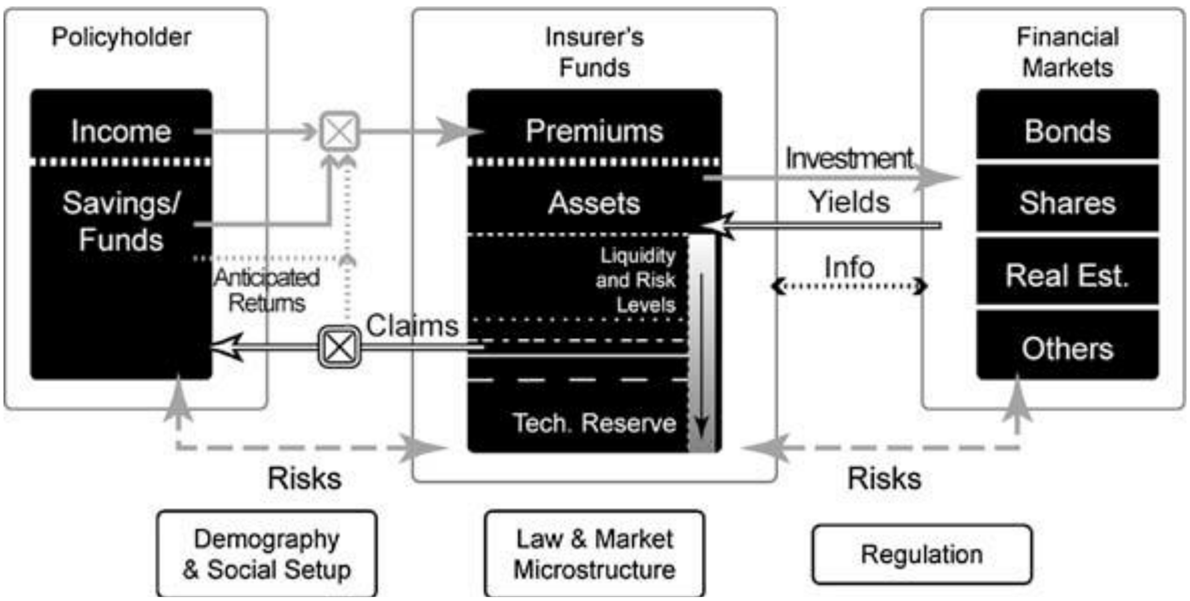
The certainty of risk in human life begets the idea of insurance. Insurance may broadly be termed as a contract between two parties (the insurer and the insured) such that the insurer decides to bear risk of damage and loss in case of eventuality of events while accepting to get a reward (through premium). The insured admits the existence of risks and likely losses if the eventuality happens (uncertain occurrence) and upon the event of a certain incident (death) at an uncertain time.

In Nigeria, insurance has existed before the colonial era, though in its crudest form, and did not follow the procedures explained above. The insurance system that operated then was in the form of shared responsibility such that a group of individuals pool resources together to aid and lessen the financial weight of each other in the event of a loss (Oke, 2012). This can be tagged mutual insurance.

Today, the Nigeria insurance system is striving hard in operating at efficient level and in line with best global practices. Most individuals and companies undertake insurance to indemnify against definite losses. For instance, I had series of experiences where aged people came around with the intention of buying policies when they were already nurturing one aliment or the other. The works of the insurance sector in Nigeria is anchored in players in the insurance industry, such as the insurance brokers, loss adjusters and insurance agents. This contemporary state is a product of years of governmental reforms that pursued to change the practice of insurance in the country (NIA, 2014).

The Nigerian economy depends largely on the financial sector for her operations and the insurance sector constitutes a better share of the financial service sector. That is, anything that happens to insurance activities will automatically affect the overall financial sector and then the economy. This has now positioned the insurance sector as important, as its expansion and development will trickle down to the financial sector directly. This suggests that the government needs to make policies and reforms that will strengthen the sector to benefit more from such sector and also to complement the financial sector as well as other sectors that depend on it. This sector is viewed as a crucial part because of how the insurance sector influences the economy. This is revealed in the transmission mechanism in Figure 2.2 below.

Figure 2.2: Transmission Channels of the Insurance Sector and the Economy



Source: Adopted from Haiss and Suemegi (2008)

To hedge risks, individuals and firms hold insurance policies and they are expected to pay premiums to the insurance companies in the form of commitments. The premiums paid by the individuals and institutions to the insurance companies serve as source of income that forms a pool of funds. The pool of funds realised through insurance premium is injected into the economy through the financial markets in the form of bonds, shares, real estates and other forms of investment that will add value to the economy. The insurance companies make these investments to engage the funds with the sole aim of receiving returns on the investment so as to guarantee the payments of claims when the need arises. The volume and amount of the investment made is influenced by the volume of the premium received by the insurance companies over time. This is carried out with the aim of contributing to financial services in the economy and boosting economic growth. Figure 2.4 shows the semantic representation and how the insurance industry affects the financial market and, hence, affects the entire economy. According to *Nigeria Insurance Digest* (2014), a review of the Nigerian insurance industry, showed a moderate growth in volume of business underwritten in the year 2014, with a recorded premium of ₦293.54 billion. My company, Regency Alliance, wrote a premium income of ₦408 million; which my directorate brought in 70% of the total revenue of the company.

2.6.3.4 Development of the Insurance Industry in Nigeria

According to Ogunlana (1990), insurance was introduced into the country by the colonial merchants in 1874. However, Irukwu (1989) and Egerue (1995) assert that, before that time, there were forms of social insurance in the country, with names such as *ajo*, *esusu* and self-help schemes. As noted by Akinlo (2012), the origin of insurance policy can be traced to the era of ancient Babylonian King Hammurabi, who introduced the Hammurabi Code that postulated forgiveness practice in case unforeseen circumstances, in the form of losses (death, property loss and disability) happened to a debtor. This idea led to the advent of marine business in the 14th century and remodified in the United Kingdom in the 16th century (Akinlo, 2012; Jarus, 2013). It is an informal way of hedging losses in the existing insurance policies that cover only marine and fire insurance by the House of Lloyds (See Irukwu, 1989).

In the 20th century, insurance was introduced into Nigeria after the colonisation era and trade went on in the Western Coast of Africa by the Europeans. This idea of insurance was embraced by foreign businesses with the intention of protecting their investment, thereby easing the burden of potential risk involved in business. The sudden surge in trade and commerce resulted in rise in shipping and banking activities and this made it compulsory for the provision of risk-backed-up hardship locally. The insurance firms in Europe employed merchants to organize insurance cover for their trading concerns. These agents had the authority under the law to accept risks, but claims were still treated by the parent company, which made the merchants insignificant. These agencies and the few Nigerians employed then had little or no knowledge of the insurance practice and, thus, it cannot be classified as a profession (Irukwu, 1989).

In 1921, an insurance company was established in Lagos and this company became monopolized, being the only insurance company for well over two decades before other insurance companies, such as Law Union and Rock, London and Globe and Patterson Zochonis (PZ) Liverpool, were licensed to operate in Nigeria (Jegede, 2005). At independence, about 25 insurance companies were operational, with only 3 being indigenous, while the remaining were foreign insurance companies, w.000000hich still resulted in low patronage. This was because the idea of insurance seemed strange and most Nigerians were not aware of insurance and did not understand the need for it. The lack of appropriate legislation and awareness in the industry brought about a rapid and unhealthy growth in the number of insurance companies after 1960, increasing the figure of insurance companies in Nigeria to seventy by 1975 (Oyedotun and Adesina, 2015). The Insurance Companies Act of 1961 was the starting point of insurance, being the first legislation of the industry. The Registrar was mandated to register insurance companies, but this was not enforced; therefore, the process broke down. In 1964, another Insurance Act (Miscellaneous Provisions) was enacted to remedy the existing Act, but these Acts were revoked in 1976.

The number of insurance companies moved up from 70 to 110 between 1976 and 1990. This was characterized with ineffective and incompetent insurance companies, tagged "mushroom insurance companies" (Oyedotun and Adesina, 2015). After the new Act, the insurance sector greatly increased over the years, such that Nigeria had 104 and 4 insurance and reinsurance companies, respectively, as at 2005, before recapitalization (Oke, 2012). The Nigerian insurance sector is basically subdivided into five. These are traditional insurance; the pension sector; health insurance; the distribution channels; and support service providers. The traditional sector accounts for about 103 insurance companies, 5 reinsurance companies, 5 firms of actuaries, 509 insurance brokers and 37 loss adjusting firms (CBN, 2007; NIA, 2014).

The introduction of new risk-based capital reduced the number of insurance and reinsurance companies to 69 and 2, respectively as at 2nd February 2007 (Soladoye, 2007). As at 2005, the share of life insurance premium and non-life insurance premiums accounted for 17.88% and 82.18%, respectively. This shows that non-life insurances have been a dominant sector of the two major parts of insurance. This positioned Nigeria as the 65th in the world insurance ranking. On the member of companies ranked in order of premium from their direct non-life insurance business, *Nigeria Insurance Digest* (2014) showed that my company Regency Alliance, ranked 20th in the order of premium income in the country, with a market share of 1.91% of the total non-life premium income of ₦184, 967, 767. The table below shows the players and regulatory agencies in the insurance sector in Nigeria.

Table 2.3: Insurance Players and Regulatory Agencies in Nigeria

	Sector Players	Traditional insurance	Pension	Health	Distribution	Support Service
1,	Players	Insurance companies Reinsurance companies	Pension fund administrators (PFAs) Pension fund custodians (PFCs)	Health Maintenance Organizations (HMO); The Health Care Providers (HCP)	Insurance Brokers; Insurance Agents; Pension Agents; The Banks	The Loss Adjusters; The Actuaries
2.	Regulators	National Insurance Commission (NAICOM)	PENCOM; National Insurance Commission (NAICOM)	National Health Insurance Scheme;	NAICOM; PENCOM; CBN	NAICOM

Source: CBN, 2007

The Nigerian insurance industry received a new breath, which led to the emergence of National Insurance Commission (NAICOM) that was established in 1997 by the military administration. The new institution, NAICOM, took over from the government-owned institution, which was the largest existing insurance firm in Nigeria, known as the National Insurance Corporation of Nigeria (NICON).

Section 86 of the Insurance Act of 2003 empowered and assigned responsibilities to NAICOM in carrying out the following:

i. setting standards and procedures for registration;
ii. formulating rules, policies and regulations guiding the operation of the insurance sector;
iii. determining rates and expenses limitations;

iv. valuation of assets and liabilities and investment funds; and
v. setting the qualifications of sales representatives

How efficiently it performs these tasks depend largely on the existing laws and guidelines for the operations in Nigeria.

Different laws were established and upgraded through the emergence of other subsequent Acts to complement the existing ones. Thus, the Nigerian insurance industry strongly depends on existing laws and guidelines, namely:

- The National Insurance Commission (NAICOM) Act of 1997
- Insurance Act 2003
- Consolidation and Recapitalization Guidelines of 2005
- Chartered Insurance Institute of Nigeria (CIIN) Act, 1993
- The Nigerian Council of Registered Insurance Brokers (NCRIB) Act 2003

The NAICOM introduced a new risk-based capital framework in regulating and supervising the insurance industry in Nigeria and in carrying out the empowered responsibilities. The initial capital base was raised from ₦1 million and ₦2 million in 1999. One hundred and fifty-two companies (152) were qualified for the registration, but only fifty-seven were finally registered because the overall control was tighter. Other major recapitalisation exercises were carried out in 2002, 2003 and 2005, which have resulted in fluctuation in the number in the insurance companies (Asinobi and Ojo, 2014). The Insurance Act 2003 raised the capital base for all categories of players in the industry. It raised the capital requirement for operations of companies by as much as 650 per cent at the end of 2004 (Oni, 2010). The then Minister of Finance set a new minimum base requirement from the previous level to the new one, which are ₦2 billion for life businesses, ₦3 billion for non-life businesses, ₦5 billion for composite businesses and ₦10 billion for reinsurance business (NAICOM, 2010; *Nigeria Insurance Digest*, 2013). Table 2.4 below shows the trend of capital base for Nigerian Insurance Institutions

Table 2.4: Capital Base for Nigerian Insurance Institutions

Category of insurance	Old capital base (2002) ₦	Old capital base (2003) ₦	New capital base (2005 to date) ₦	New capital base (2005) US$
Life Insurance	20 million	150 million	2 billion	12,504 million
General Insurance	70 million	200 million	3 billion	18,756 million
Composite	n/a	350 million	5 billion	31,260 million
Reinsurance	150 million	350 million	10 billion	62,520 million

Source: Author's computation, 2015. Note: $1 @ ₦159

The adoption of the new capital regime has enhanced the insurance industry and improved the underwriting capacity of the operators to participate in the acceptance of complex risks, like oil and gas risks and aviation risks. The Nigerian companies with this development have the capacity to co-insure large and complex risks, lending to the retention of a larger portion of the earned premiums within the local market, especially in the oil and gas insurance business. This reform would reposition the Nigerian insurance companies to be major players, which would also attract foreign investment into their shareholding (Asinobi and Ojo, 2014). With recapitalization, the number of member companies also changed over the years. The trend in the movement is shown in Table 2.5 below:

Table 2.5: Number of Licensed Companies in Nigeria

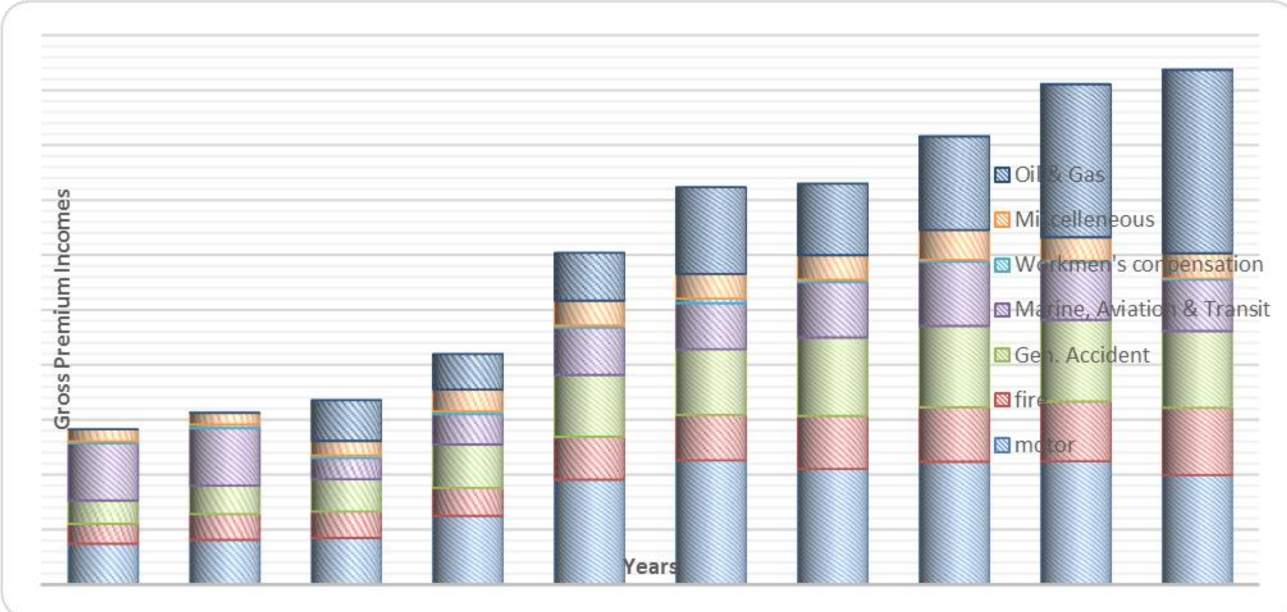
	As at 31st December,2012	As at 11th October, 2015
Life insurance companies	17	15
General insurance companies	10	29
Composite companies	31	12
Reinsurance companies	2	2

Source: NAICOM, 2015

The new capital base changed the number of the insurance players and personnel involved, with significant impact on the gross premium income. This allows the ineffective and inefficient insurance companies to merge or get acquired by the stronger players. This increased the gross premium of business type in the economy, as depicted in Figure 2.5.

In the year 2004 and 2005, the oil and gas sector had zero premiums but started witnessing an upward movement from 2006 to date. After the introduction of the Local Content Act, the oil and gas insurance premium income has been increasing steadily over time owing to government policies. In 2006, the aviation sector experienced a drastic drop in gross premiums, which might be attributed to government reforms in the aviation sectors in Nigeria. The workers' compensation has continued to decline over the years; this calls for serious concerns. It means that unemployment is on the increase and that existing companies are not insuring their employees.

Figure 2.3: Trend in Gross Premium Income of Business Type (2004-2013).



Source: Author's computation based on *Nigeria Insurance Digest Database*, 2013

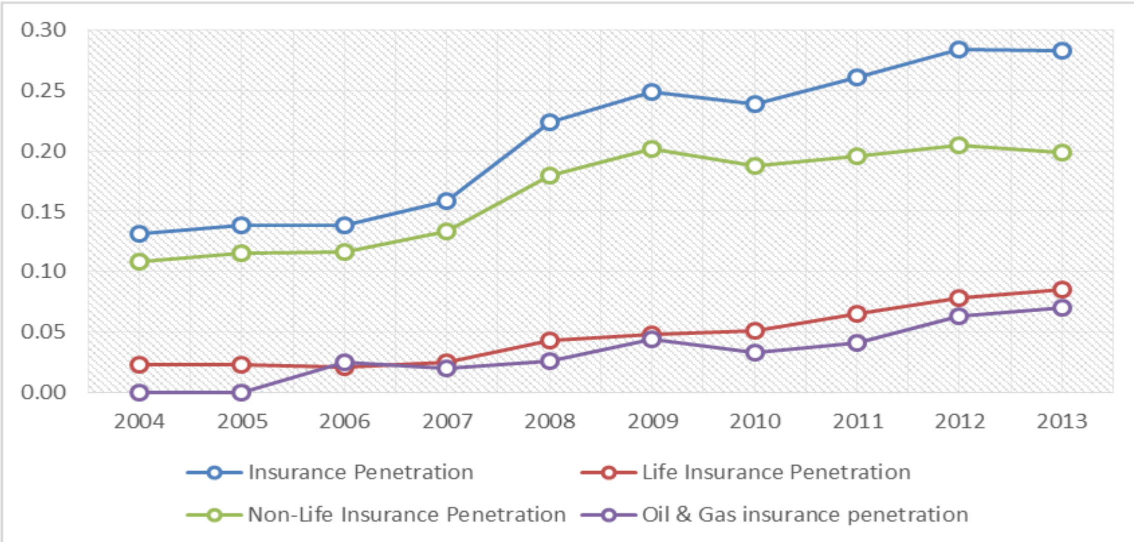
In conclusion, the Nigerian insurance sector has evolved over time and passed through different stages and metamorphosed to the recent structure. The insurance sector emerged in 1921, while the regulation and control started in 1961. The democratic era in 1999 led to the establishment of the health insurance and pension schemes in 1999 and 2004, respectively. The Nigerian insurance passed through indigenization stage in the 1970s and became open in the 1980s. These stages of change have influenced insurance penetration and other sectors of the economy and enhanced growth in Nigeria. I will now examine the development of the insurance sector in Nigeria and the recent challenges facing the sector as identified by practitioners in the industry.

2.6.3.5 Insurance Penetration in Nigeria

The deepening and widening of the insurance sector always tend to reflect how the insurance market had developed and to determine the degree to which the insurance companies can foster investment activities apart from the transfer of risks in the economy. This will have a ripple effect and influence the economy at large. It has been argued that different factors influence the need for insurance consumption in different societies, which include demography, risk attitude, culture and religion, and regulations (Akinlo, 2012). The performance of the insurance sector in any given economy relies heavily on that country's societal uniqueness and prevailing restrictions in the economy. For instance, aging population and religion are crucial components of the demographic features that alter the linkages between the level of insurance consumption and the level of economic development in most countries. This suggests that, as the population becomes aging, the major concern and burden rest on the economy, especially on pension commission and the insurance sector. That is, the longevity and rising health care expenses in Nigeria will have a greater impact on the insurance sector directly (Akinlo, 2012). For instance, the higher the rising health care expenses the more beneficial it is to buy an insurance health policy and vice versa.

In addition, the implementation of the third-party insurance and Local Content Act has changed the rate at which Nigerians have embraced insurance and this has deepened insurance penetration in Nigeria. This is displayed in Figure 2.4 below, which captures the trends of insurance penetration in Nigeria.

Figure 2.4: Insurance Penetration in Nigeria (2004 - 2013)



Source: Author's computation based on *Nigeria Insurance Digest Database*, 2013

Figure 2.4 above shows the path of aggregate insurance penetration in Nigeria with special focus on the two broad classifications (life and non-life) of insurance penetration as well as the oil and gas insurance penetration in Nigeria in the period 2004 to 2013. In Nigeria, non-life insurance penetration constitutes the bulk of insurance penetration compared to life insurance penetration.

The advent of the oil and gas insurance penetration came in 2006 and the rate was higher for non-life insurance than for life insurance for that year but later fell below that of life insurance. Ever since 2007, all the insurance penetrations are on the growth path.

Table 2.6 reveals the insurance penetration in five (5) selected countries from 2010 to 2014. It is obvious that insurance penetration in the other African countries remained very low except for South Africa, where the rate of insurance premium to gross domestic product averaged 13.45 per cent, making South Africa one of the countries with the highest insurance penetration in Africa and in the world (Swiss

Re, 2014). Since the last six years, Nigeria has continued to lag behind other African countries and ranked fifth (Swiss Re, 2014) among the five selected countries. This connotes that insurance deepening and development are seriously weak and low, which might be attributed to low awareness, consciousness and lack of trust in the Nigerian insurance companies (Asinobi and Ojo, 2014).

Table 2.6: Insurance Penetration in Selected African Countries (2010- 2014)

	2005	2010	2011	2012	2013	2014	Average
South Africa	14.65	12.94	12.56	13.67	14.08	14.03	13.45
Morocco	2.49	2.86	2.98	0.90	0.83	3.19	2.15
Nigeria	0.33	0.36	0.37	0.36	0.32	0.31	0.34
Tunisia	1.69	1.76	1.82	1.79	6.77	1.83	2.79
Ghana	0.78	0.99	1.05	1.30	1.13	1.02	1.10

Source: Author's computation based on Swiss Re database, 2015.

In 2013, the Nigerian insurance penetration declined to 0.32 per cent from 0.36 per cent in 2012 as compared to the average for African countries, which was 2.79 per cent in 2014. For the insurance sector to grow, the potential lies largely in how the middle class is growing. As income for the middle class increases insurance products will be demanded more, in terms of car insurance and home insurance, which have been made compulsory for mortgage finance (Anthony and Luke, 2011).

The adoption of the new capital base, as stated by Anthony and Luke (2011), has enhanced the insurance industry and improved the underwriting capacity. This has enabled more participation in high risk or most volatile sectors of the economy, such as the oil and gas and aviation sector. Previously large risks that attracted large premiums are ceded to foreign companies totally.

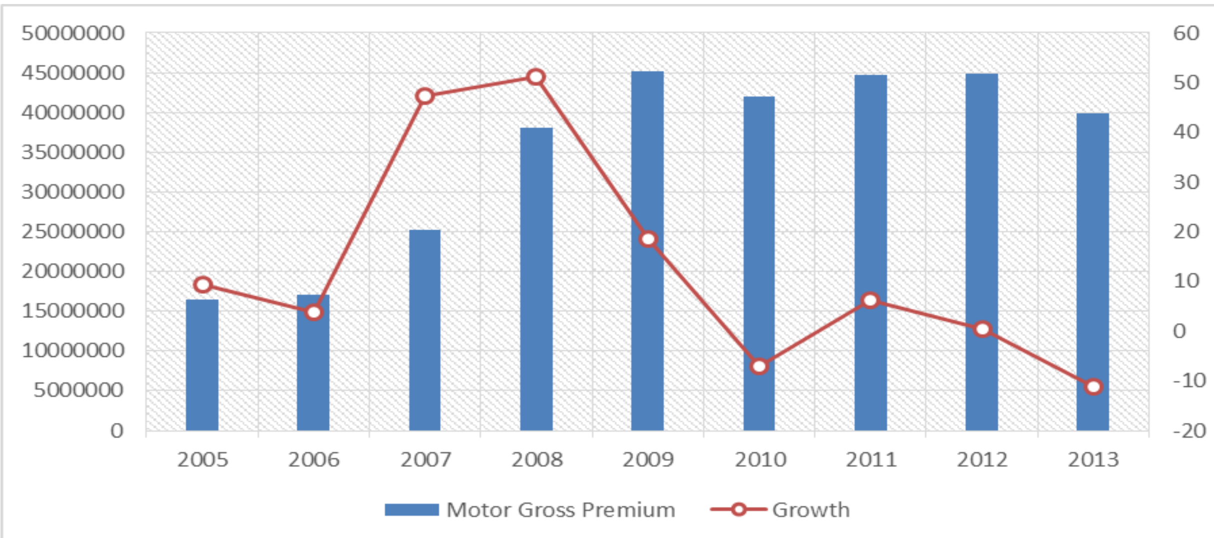
The Nigerian cultural and religious inclination was a key impediment to the adoption of the insurance products in Nigeria. An average Nigerian perceived insurance policy as a service consumed by the rich and wealthy (Yusuf et al., 2009, p.4). This is what I have observed as a player in the sector for years. This argument is supported by World Bank figures which reported that about 170 million Nigerians lived in extreme poverty (World Bank, 2013). To aid the deepening of insurance penetration, the microinsurance and Takaful insurance were introduced as against the traditional insurance that was found to be unaffordable to Nigerians.

The insurance sector is broadly classified into non-life insurance and life insurance. The non-life consists of motor insurance, general accident insurance, fire insurance, and oil and gas insurance. Most of the underwriting businesses are skewed towards non-life insurance, comprising about 75 per cent of industry premiums in Nigeria. Of all the sections in non-life insurance, motor insurance remains the most patronized.

i. Motor Insurance

Motor insurance is the most popular type of insurance product in terms of awareness in Nigeria. This is due to the compulsory third party liability insurance on car that was enforced by NAICOM through other law enforcement agencies, such as Federal Road Safety Corps (FRSC) and Nigeria Police Force (NPF). It is unlawful to drive any vehicle or car in Nigeria without at least a third-party liability insurance. As the economy booms, more cars are purchased, and this triggers significantly the purchase of motor insurance. In non-life insurance, motor insurance accounted for 21 per cent of the total premiums in 2011 and was ranked second in 2013 because its contribution had declined to 15 per cent. The decline could be traced to the premium leakages. Asinobi and Ojo (2014) state that the motor and marine sectors have been proliferated with fake insurance papers that might have resulted in the decline in motor premiums received (that is, loss in revenues) in recent times, which is not healthy for the insurance industry. I strongly expect that this issue will be critically considered, and necessary actions will be taken to put motor insurance on the growth path. Figure 2.5 below shows the motor insurance gross premiums and growth over the years (between 2005 and 2013).

Figure 2.5: Motor Insurance Gross Premiums ('000) and Growth (%)



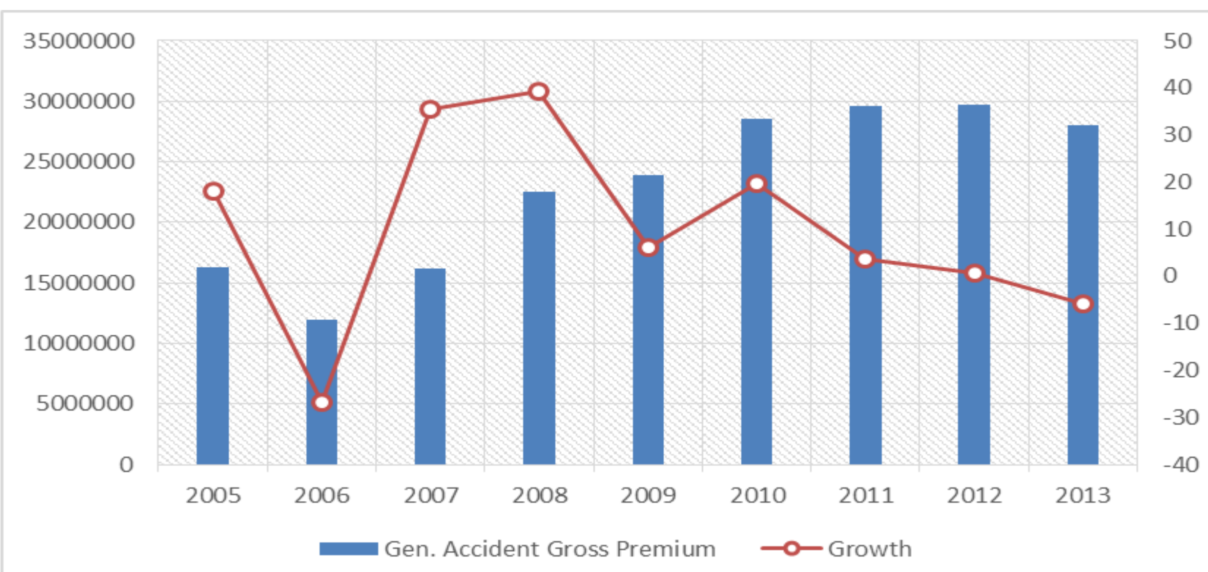
Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013

In reviewing *Nigeria Insurance Digest*, I found out that Leadway Assurance and NEM Insurance always ranked first and second, respectively, in 2010 and 2013 by generating gross premium income in motor insurance business, while the remaining eight always ranked between third and tenth (*Nigeria Insurance Digest*, 2012; 2013). My company, Regency Alliance Insurance Plc. ranked 28th in gross premium income in motor insurance business in 2014, 29th in 2013, 27th in 2012 and 32nd in 2011 (*Nigeria Insurance Digest*, 2014).

ii. General Accident Insurance

In 2004, general accident insurance ranked third (that is, 20 per cent) behind marine and aviation insurance (that is, 30 per cent) and motor insurance (that is, 22 per cent) that took first and second, respectively, contributing the most to gross premium insurance. By the year 2006, the contribution of general accident gross premium started to decline. It moved from 20 per cent to 16 per cent in 2004 and 2007, respectively, but declined to 10.4 per cent in 2013. Despite a remarkable growth in insurance cover, these segments that include personal accident, public liability, burglary protection, travel insurance, and cash in transit are occasionally purchased when the situation demands for it. Therefore, they are not purchased often, and annual renewals are not guaranteed (*Nigeria Insurance Digest*, 2012; 2013; Asinobi and Ojo, 2014;). Figure 2.6 below captures the general accident insurance gross premiums and growth between 2005 and 2013.

Figure 2.6: General Accident Insurance Gross Premiums ('000) and growth (%)



Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013

The industry's premium income for this class of insurance is the sum of ₦29,193,540,000 and my company's premium income for this class of insurance is ₦895,064,000, which is 14th position in the ranking of this class of insurance (NIA, 2015).

iii. Fire Insurance

The contribution of the fire insurance premiums to gross premium income has been fluctuating over the years. In 2004, fire insurance accounted for 11 per cent but declined to 9.1 per cent in 2013. The average contribution of fire insurance in the period 2004 to 2013 was 10.22 per cent, which is higher than the 2013 contribution share. The decline in fire insurance might be linked to the lack of law and enforcement of the law compelling all public institutions and agencies to buy a compulsory insurance to hedge risks on buildings, such as government buildings, schools, hospitals, churches, mosques, fuel stations, park stations and events centres. The trend of fire insurance gross premiums and growth is depicted in Figure 2.7 below.

Figure 2.7: Fire Insurance Gross Premiums ('000) and Growth (%)

Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013.

The fire premium growth was high in 2005 but declined in the following year and has been increasing since then. It reached its peak in 2008 owing to awareness creation and outburst of fire incidents and later declined and has been rising steadily since then till date. The Nigerian insurance industry wrote a premium income of ₦25,701,908,000 in this class of insurance, with my company writing ₦236,892,000, making it to be ranked 32nd in the whole industry for 2014 (*Nigeria Insurance Digest*, 2014).

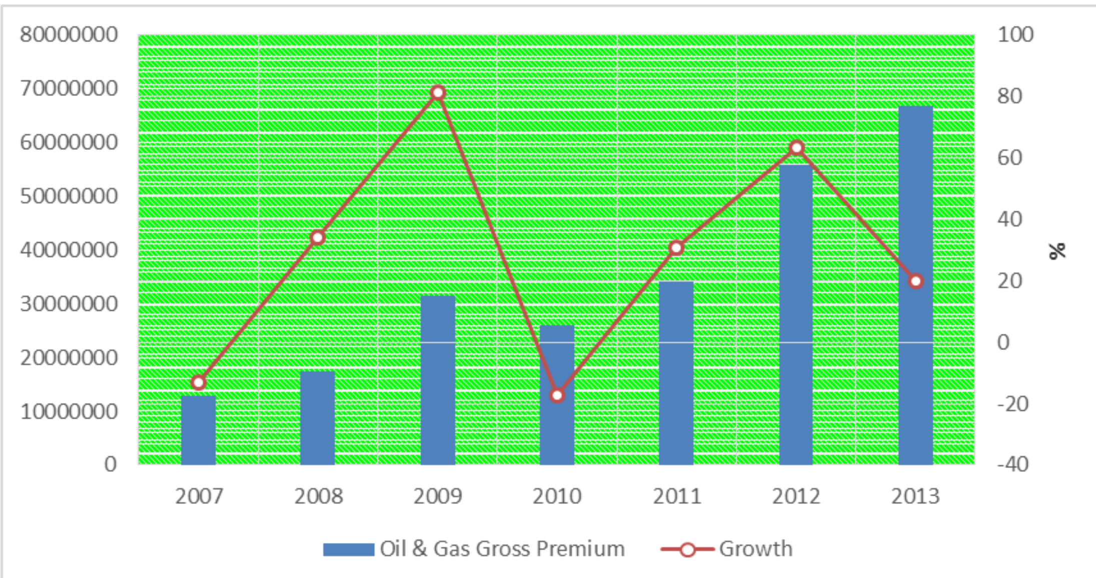
iv. Oil and Gas Insurance

Another vital non-life insurance category is oil and gas insurance, which is crucial to the Nigerian economy. Before 2006, nearly all aspects of oil and gas insurance were carried out or ceded to foreign companies, which made the domestic insurance companies to have no stake in the sector. Although the volume of transaction is still low, the oil and gas sector now have the highest value of premiums in the insurance industry in 2013. The huge value of premiums is credited to the high values of assets insured.

Since 2012, oil and gas insurance has been contributing significantly to gross premium income. The sector accounted for 22 per cent and 25 per cent of gross premium income in 2012 and 2013, respectively. This has positioned the segment first (*Nigeria Insurance Digest*, 2012; 2013). Its contribution to gross premiums far outweighs motor insurance in terms of premium values. The drastic growth experienced in the oil and gas premiums has been driven by the Local Content Act and increased capacity of local underwriters.

The adoption of Local Content Act has increased the local insurer's capacity to underwrite risk (Asinobi and Ojo, 2014). Figure 2.8 below shows the trend in oil and gas insurance gross premiums and growth from 2006 to 2013. The average growth rate of oil and gas insurance gross premiums was 17.11 per cent in the period 2006-2013. Its growth rate has been on the increasing path except for 2008 and 2010 (*Nigeria Insurance Digest*, 2013). The period was characterized with global recession that reduced the activities in oil and gas operations and their premiums, as risk of operations declined. By 2011, the oil and gas operation picked up again and it has been the highest contribution to gross premiums since then.

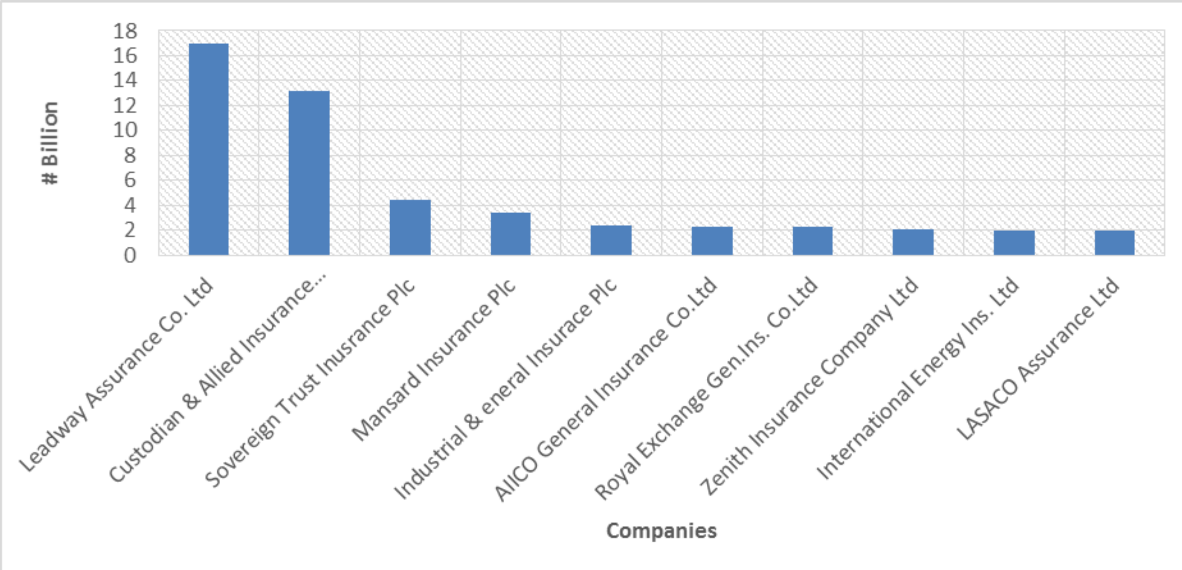
Figure 2.8: Oil and Gas Insurance Gross Premiums ('000) and Growth (%)



Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013

After examining the oil and gas premium over time, there is also the need to consider the insurance companies that have played the most active role that is captured through the premium earned in oil and gas. I focused on the topmost 10 of the insurance companies that earned the highest based on the 2013 database. Figure 2.9 portrays the topmost ten companies that earned oil and gas gross premium income in 2013.

Figure 2.9: Top Ten Companies that Insured Oil and Gas Operations in Nigeria, 2013



Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013

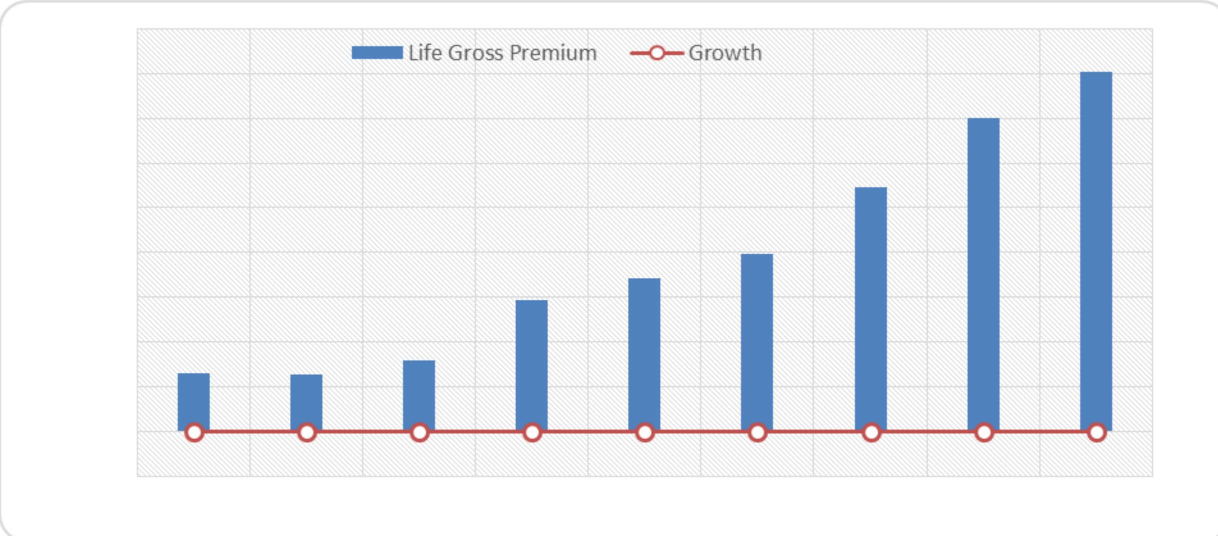
In summary, non-life insurance has been crucial in the Nigeria insurance industry. It is important to consider life insurance and reinsurance in the Nigerian context. The Nigerian insurance industry wrote the sum of ₦52,630,516,000 for the year 2014 and my company wrote the sum of ₦709,139,000, which ranked it 21st in the whole industry in that class of insurance (*Nigeria Insurance Digest*, 2014

v. Life Insurance

The life insurance has been on the growth path in recent times, with life insurance gross premium income rising from 17.6 per cent in 2004 to 30 per cent in 2013 (*Nigeria Insurance Digest*, 2013). It is strongly believed that Nigerians are now more aware and conscious of their health status and better life expectancy at birth that stood at 54 years and 55 years for males and females, respectively (World Health Organization, 2013). This awareness and consciousness has made them to see life insurance as a means of securing their future at old age and benefitting from such policies. This expectation serves as a wheel that is heightening life insurance in Nigeria and thus raising insurance penetration and deepening in Nigeria. Life insurance policies have been packaged such that they ensure savings plan that makes them look attractive to people to embrace. They give room for policy holders to borrow part of their premiums at certain points when the situation warrants, under some terms and conditions.

The existing law in Nigeria states that any company that has more than 5 employees is required to purchase group life insurance cover for their employees. The compliance of some companies to this effect has raised life premiums and placed life insurance as a key driver of growth for insurers to invest in long-term investment that will attract higher returns. The life insurance premiums have been increasing over the years, as shown in Figure 2.10, which might be attributed to awareness and consciousness on the part of Nigerians with respect to their health and retirement income at old age. As observed in previous charts, all insurance premium indicators reached their peak in 2008 and declined the following year. Although life insurance premium increased, the growth path has been declining owing to lack of trust in insurance companies despite concrete efforts to convince people to hold insurance policies.

Figure 2.10: Life Gross Premium ('000) and Growth (%)



Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013.

My company does not write this class of business since it is a non-life insurance company.

vi. Re-insurance

Re-insurance is a means by which insurers diversify their risk profile by ceding or allocating certain part of their risk portfolio to another party or other parties to reduce the probability of paying very large claims. This way, the insurance companies can hedge the risks they face in their operations and help to reallocate risk and claims burden.

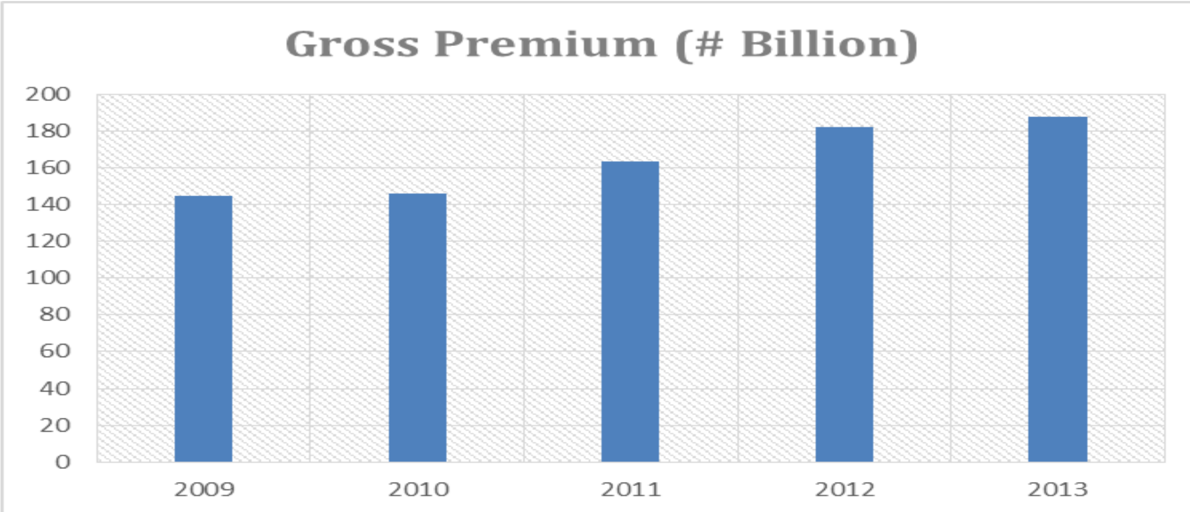
The number of re-insurance companies has always been very small in Nigeria compared to insurers, since reinsurers are more exposed to the part of the risk faced by insurers; hence, re-insurers must diversify. Asinobi and Ojo (2014) state that re-insurers need to avoid risk concentration and diversify internationally by re-insuring risks outside their home countries. The need for reinsurers to diversify internationally was born out of the need to make them less exposed and less susceptible to systematic shocks in a country or region.

The re-insurance premiums in Nigeria have been on the increasing path of about 11.6 per cent growth rate in 2012, with fire, marine insurance, aviation insurance and oil and gas insurance dominating the share. In 2009, the share of re-insurance in gross premiums was 37.54 per cent, 33.98 per cent and 52.46 percent for fire, marine and aviation insurance and oil and gas insurance, respectively. However, as at 2013, they stood at 47 per cent for fire, 37 per cent for marine and aviation insurance and 52 per cent for oil and gas insurance (*Nigeria Insurance Digest*, 2013).

The implementation of the Local Content Act in the oil and gas industry has transformed the insurance industry in Nigeria, by increasing local insurance companies' participation, and has raised gross premiums income and re-insurance premiums over the years. Despite the sector's contribution, the re-insurance premium growth is still below the expectation owing to inadequate capacity of the local insurers to meet the re-insurers capital requirement (₦10 billion/$61.7 million) and internationally compete with international re-insurance companies, such as Swiss Re, Lloyd's and Munich Re.

The growth potential in insurance and re-insurance premiums has attracted international companies into Nigeria through acquisition or merger of local insurance companies. Figure 2.11 shows the growth path of gross premium of re-insurers in Nigeria from 2009 to 2013.

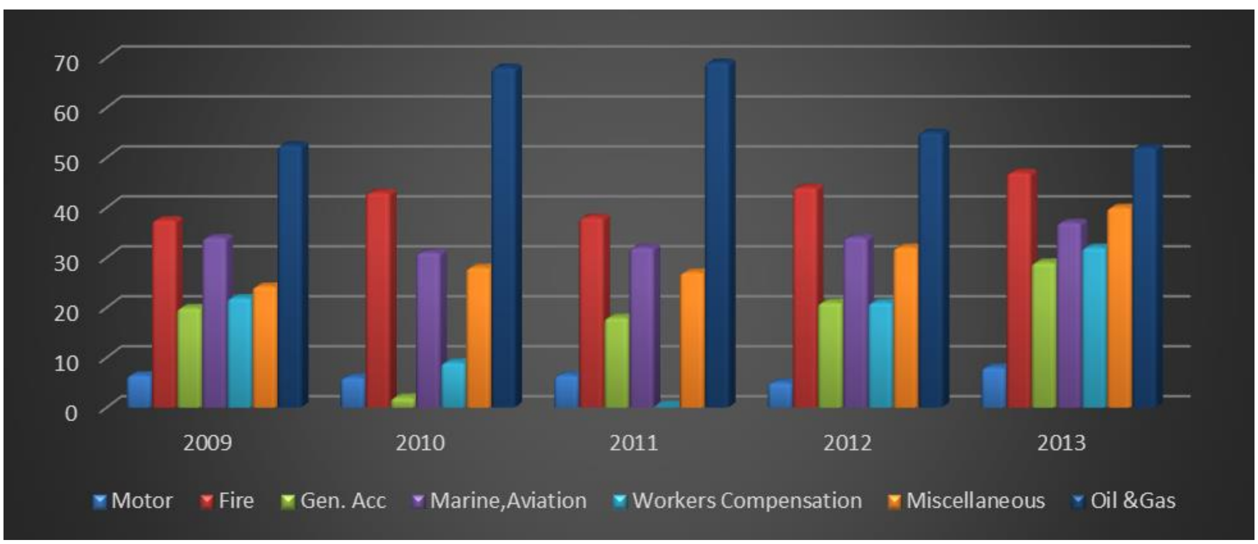
Figure 2.11: Gross Premiums of Re-insurers in Nigeria



Source: Author's computation with database from *Nigeria Insurance Digest*, 2012 and 2013

The category of the business class of the re-insurers is shown to explain how these classes have strived over the years from 2009 to 2013. I observed that all the categories witnessed increases, with oil and gas, fire and aviation ranking first, second and third, respectively, for all the periods between 2009 and 2013. This is depicted in the Figure 2.12 below.

Figure 2.12: Business Class of Re-insurance to Gross Insurance Income (2009 - 2013)



Source: Author's computation, 2015

The Nigeria insurance industry is a potential market that needs to be nurtured and has a lot of growth opportunities owing to low insurance penetration and insurance density.

2.6.3.6 New Investment into the Insurance Sector

In 2012, the Nigerian insurance sector witnessed improvement in regulatory supervision, strict compliance with the anti-money laundering and standards and the "No Premium No Cover" implementation. These yielded a positive impact and led to a decline in premium debt. However, the insurance companies are still faced with negative perception among Nigerians.

Insurance has been experiencing significant growth in terms of volume over the years. The sector witnessed an average increase of 15.79 per cent between 2012 and 2011, which accounted for ₦252.14 billion and ₦217.74 billion, respectively (*Nigeria Insurance Digest*, 2012).

Recently, the Federal Government of Nigeria, through the insurance sector regulation, identified insurance as a potential sector that should be contributing much more to GDP following the decline in oil revenue. This led to several reforms and complemented by the adoption of the Local Content Act in the insurance sector in Nigeria to help attract foreign and global insurers into Nigeria.

In the last five years, the NAICOM has embarked on policies to develop and improve the Nigerian perception of insurance policy and insurance deepening in line with the Nigerian transformation agenda. Nnamdi (2014) states the capacity, safety, transparency and efficiency of the insurance companies distinguish the insurance sector from other sectors in the emerging economies.

The insurance regulator introduced some measures of enhancing an efficient and effective insurance industry through the Enterprise Risk Management (ERM), emphasis on corporate governance, monitoring and supervision of participating companies' risk-based compliance with the new accounting reporting standards, restructuring initiative and enforcement of "No Premium No Cover". Another key factor that has driven the presence of foreign insurers into Nigeria was the implementation of the policy of the Central Bank of Nigeria (CBN) reserving universal banking licenses and banks concentrating on their core competence or opting for holding companies' structure. This action forced most banks to relinquish their subsidiaries except for the few ones that formed the holdings companies such as First Bank Nigeria Plc. All these incentives attracted investors into Nigeria and have raised the number from three to ten in the last five years.

The global insurers have made their presence known by playing actively in the sector by investing directly while some, through indirect private equity funds. Among the insurers that invested directly and maintained subsidiaries' holding in the domestic insurance companies were Sanlam Group, Old Mutual Group, Metropolitan Momentum Holdings and New India Insurance Company Limited in Nigeria. Other foreign insurers, like Assure Africa, NSIA and International Finance Corporation bought private equity in the domestic firms were Mansard Insurance, ADIC Insurance and Leadway Assurance Company Limited.

i. New India

The New India Assurance Company was founded in 1919 with 100 per cent government equity. Its services cut across multinational general insurance, with presence of operation by subsidiaries, direct branches, agency operations, and associate firms in 22 countries of the world and its headquarters in the home country, Mumbai, India. It has dominated the non-life business in India for more than 40 years. The firm has its presence in Nigeria through its subsidiary Nigeria's Prestige Assurance Plc. Also, it controls equity participation in countries such as Kenya, Singapore, Saudi Arabia, Jordan and Spain and has a desk of her London branch in Lloyds' Insurance.

ii. Metropolitan Holdings

Metropolitan Momentum Holdings Limited is a South African (MMH) firm. It was established in 1897 and listed on the South African stock exchange market. The MMH operates in five continents of the world and renders financial services to both individuals and corporate organizations. The MMH's core competence lies in asset and investment management, insurance (both long term and short term), healthcare management and employee benefits of both individuals and organizations (All Africa, 2015). In 2010, the Metropolitan Life from South Africa and United Bank for Africa Plc (UBA) Nigeria metamorphosed into UBA Metropolitan Life Insurance Limited. The sector witnessed a reform through recapitalization and the name was changed to HEIRS Life Assurance Company Limited (Daniels, 2015; NIA, *Digest*, 2015).

iii Sanlam FBN Life

Another South African insurer that has invested in Nigeria's domestic insurance firm is Sanlam. It was formed in 1918. The firm operates across African countries, Europe, India, the USA, Australia and South East Asia, with its head office in Cape Town. The firm was demutualized in 1998 and was listed both on the South African stock exchange and Namibian stock exchange. In 2010, FBN Life Assurance, licensed with life assurance businesses in Nigeria, was born, with FBN Holdings Plc. Nigeria and the Sanlam Limited South Africa accounting for 65 per cent and 35 per cent equity ownership, respectively. Recently, they just acquired another non-life risks underwriting company in Nigeria, known as Oasis insurance.

This positions the FBN Life Assurance to compete effectively in both life and non-life businesses in terms of size, capacity and expertise in the market.

Furthermore, Old Mutual acquired both Oceanic Life Insurance and non-life aspect of the struggling Oceanic Insurance Company Limited that focused on life assurance, asset management and pension in Nigeria. The Old Mutual is listed on both London and Johannesburg Stock Exchanges, with her presence being felt across Africa, America, Latin America, Asia and Europe, with about 14 million customers (Nnamdi, 2014). Also, in November 2014, France's AXA acquired about 77 per cent interest in Mansard Insurance, which was valued €198 million and operates in sub-Saharan Africa. The entrance of global insurers was not only peculiar to Nigeria; other African countries witnessed it too, with Swiss Re (Apollo Investments) and Prudential (Express Life) in Kenya and Ghana, respectively (Daniel, 2015).

The gradual entrance of the global insurers in Nigeria has recorded success stories; the sector anticipates the presence of more foreign insurers in the Nigerian insurance sector. This prompted the management of Prudential Plc., which is also a foreign insurer, to visit the insurance regulator (NAICOM) in Nigeria (Nnamdi, 2014). The sole aim of their visitation was to form collaboration and cooperation and to participate in the Nigerian insurance industry, either through acquisition or floating of subsidiaries. Table 2.7 depicts the major foreign investors in the Nigerian insurance industry.

Table 2.7: Recent Major Foreign Investors in the Nigerian Insurance Industry, 2015

	Name of Company	Foreign Investor	Status
1	Old Mutual Nigeria	Old Mutual Group	Wholly Owned
2	FBN Life/Oasis Insurance	Sanlam Group (SA)	Subsidiary
3	UBA Metropolitan Life	Metropolitan Momentum Holdings(SA)	Subsidiary
4	Prestige Assurance	New India	Subsidiary
5	Mansard	Assure Africa, Others	Private Equity
6	Lead way Assurance	IFC	Private Equity
7	Law Union	ACAP, Swede	Private Equity
8	ADIC Insurance	NSIA holdings	Private Equity
9	Cornerstone Insurance	African Capital Alliance (ACA)	Private Equity
10	Union Assurance	Green oaks Global Holdings	Private Equity

Source: Author's computation, 2015

Insurance as an industry has attracted foreign investors to inject funds, skills and technical know-how and brought expertise into Nigeria. This expected to change the face of insurance in Nigeria. It could lead to the emergence of new insurance products and taking the Nigerian insurance sector to the next level.

2.7 Challenges of insurance companies in Nigeria

Despite the viable potential in the insurance sector in enhancing economic development, it is faced with various challenges. Some of the major ones identified by the *Nigeria Depository Insurance Corporation (NDIC) Quarterly* (2006) are discussed below:

i. Non-remittances of Premium: One of the critical factors adversely affecting the insurance industry is the non-remittance of premium by insurance intermediaries. Insurance intermediaries include insurance brokers and agents and all other stakeholders in insurance value chain. In Nigeria, it was observed that most of the total premium incomes generated were traced to the brokers, while the agents and marketing insurers accounted for the remaining part. This suggests that the brokers are important players in the Nigerian insurance industry (Pan African, 2013, EY, 2014). This has positioned the Nigerian insurance market as a broker-dominated market. This implies that insurers will struggle to cover the policy payment when claims arise. This action has resulted in unpaid claims, which has tarnished the image and reputation of the industry and made people unwilling to buy insurance policy in Nigeria. This implies limited funds to the industry and little resources for investment purpose.

ii. Lack of Innovation: Another factor limiting the Nigerian insurance sector is lack of innovation. The industry lacks innovation to design and come up with diverse products to meet the needs of different people and groups of firms in Nigeria. Most of the existing insurance products are targeted at income earners and big firms, such that low-income earners are rationed out of the economy (Pan African, 2013). Professional studies (Pan African, 2013, EY, 2014) showed that insurance products are nearly the same, with no new or emerging products, which has limited the insurance penetration in Nigeria. Therefore, insurance products need to be unique and flexible such that they can cover a spectrum of needs with respect to people's culture, beliefs and business environment.

iii. Inconsistency in government policies: The frequent changes in government policy direction have affected the insurance sector significantly over the years. Government agenda sometimes alter the direction of investment and progress in the sector. In 2001, the NDIC argued that the insurance sector is held back to encourage investment, in that some are exposed to constant crisis in spite of the viable potential in such investment or sectors. In recent times, the government has embarked on policies that have enhanced the sector, through the pension funds, introduction of health insurance, through the Nigeria Health Insurance Scheme (NHIS), and enactment of the Local Content Act. These policy statements and directions have fostered higher participation of people in the industry.

iv. Lack of cooperation within the insurance industry: There is a high level of lack of cooperation or disunity among the insurers in Nigeria. This might be the reasons for diverse/multiple groups and associations in the sector. Each member is called upon to be loyal to whichever platform or body that is most suitable in articulating the interest and goals of his/her organization (Ozuomba, 2013). I observed that a major issue is the duplication of functions and resources from both associations and agencies within the same industry. Some of these associations are Nigerian Insurers Association (NIA) and Chartered Insurance Institute of Nigerian (CIIN). The agencies are National Insurance Commission (NAICOM), Nigeria Deposit Insurance Corporation (NDIC) and National Pension Commission (PENCOM). This scenario leads to the situation of divided house, confusion and inconsistence. Insurance funding in pooling resources together in the oil and gas sector is yet to see the light of the day despite several attempts from different stakeholders in the industry.

v. Government policy, control and regulations: The intervention of the government in the insurance industry has made a tremendous contribution but it has exposed the industry to constant dangers through government policies and leadership interference. This has made the insurance sector fragile in performing its functions in the economy and mobilizing required funds. For instance, government has interfered in the industry on several occasions through the appointment of non-technocrats in the management of the affairs of the insurance sector. In addition, government intervenes through laws and Acts which are sometimes not applicable in the industry or the insurance players are not carried along on the proposed laws or regulations pertaining to the industry as expected.

2.8 Comparison of Nigerian Insurance with other Selected Developed Countries

Here I attempt a comparative analysis of how insurance companies have succeeded in United Kingdom and Singapore vis-à-vis Nigeria. The rationale is to shed light on how far Nigeria insurance has strived and developed over the years compared to other selected countries of the world. What informed the choice of the United Kingdom and Singapore was the success story of the insurance sector of both countries. The insurance industry in Nigeria has underperformed its role in the economy despite its growth potential. Rewane (2015) asserts that the sector's size and profitability has been suboptimal in nature compared to other financial services in other countries of the world. This raises concerns on how far away Nigeria is from the model of best practices.

i. United Kingdom

The insurance industry is regarded as a vital and integral part of the financial service that enhances and stimulates domestic savings to facilitate investment. The insurance penetration was 12.18 per cent in 2013, which revealed the level of insurance deepening and development in United Kingdom. This implies that the insurance industry has gained prominence and trust of her citizenry.

The level of development is strongly believed to have boosted the number and size of insurance companies as well as profitability and premiums earned over the years. In 2013, the premium received was up to the tune of £50.2 billion, while the whole continent of Africa was only able to account for £46.3 billion as total premiums income (Swiss Re, 2014). The premium is huge and about 30 per cent of the premium income comes from overseas, indicating that United Kingdom is highly developed, attracts international clients and accommodates re-insurance for domestic companies in countries in which local insurance companies lack the capacity to cover such risk.

The insurance industry has 1,229 insurance companies and employs about 320,000 people that function at different clusters of the insurance sector. The huge number of people that this sector employed illustrates how well this sector is performing vis-à-vis the employment of personnel in the insurance sector in developing countries. The total premium written accounted for 7.38 per cent of the world total world premiums in 2013 (Rewane, 2015). The sector is so mature that insurance and pensions funds and brokers accounted for 1.6 per cent and 1 per cent, respectively, to the GDP.

The UK insurance group is composed of underwriting, broking, actuarial and marketing, with the insurance operations cutting across general insurance, life insurance, wholesale and re-insurance. The key factor that has led to the success stories of the insurance industry is the strong regulatory environment, with the insurance group working closely with Lloyd's market. The characteristics and major attributes of the UK insurance that have made it to compete internationally are as follows:

vi. It possesses highly developed skill base in terms of capital, manpower, technical know-how and so on.
vii. It provides expertise unmatched by other financial centres.

viii. It fosters a creative environment where innovative solutions can be developed.

ix. It specializes in global markets

It is important to note that most of the complex risks emanating from Nigeria are either insured here directly or through reinsurance, especially the risks of aviation, marine hull and oil and gas.

ii. Singapore

Singapore is ranked as one of the best countries in the world in terms of doing business. The Singapore market is characterized with openness and competitiveness. It takes just 3 days to start a business in Singapore compared to world's average of 34 days; this facilitates economic growth. This raised gross domestic product (GDP) and per capita GDP to the tune of $307.9 billion and $81,300, respectively, in 2014, with a growth rate of 2.9 per cent. The country had 2 per cent unemployment rate in 2014, which demonstrated a high level of employment. The Singaporean insurance sector is one of the most developed insurance markets in Asia and has remained the regional hub for the Asia pacific region.

The insurance penetration in Singapore is high, with 7.3 percent. This reflects the depth and development of the insurance sector. The insurance sector registered 161 insurance companies that earned written premiums of about $27 billion in 2013, which constituted about 0.57 per cent of world total premiums.

The industry's management assets are to the tune of $130 billion, which represents 48 per cent of the GDP. The life insurance dominated the largest share of total insurance premium, with life insurance penetration of 67.8 per cent of households in Singapore and non-life insurance penetration of 3 per cent in 2013, with steady rise over the years. The health insurance and per capita expenditure on insurance has been growing rapidly.

The insurance industry has performed better and is well developed in UK and Singapore but has underperformed in Nigeria. The Nigerian insurance sector is assumed to be far away from best practices. This could be the main reason why insurance has strived better in these countries than in Nigeria.

One of the key factors that have led to the success stories in other countries is trust of the citizenry and foreign companies. People entrust their future, funds and investment to the hand of insurance companies that keep to their words when the need for claims arises, as against what happens in Nigeria.

My company, a medium player in the market, made it as part of its operational policies that claims must be paid without delay through a Service Level Agreement with major clients. As the head of Business Development Directorate, I make the payment of claim a priority since the best way an insurance company could showcase itself is through prompt responses to the claims of its insured.

In addition, the capital requirement is still quite low in Nigeria when compared to the two countries under review. This has limited the risk capacity of the local insurance companies and the extent to which they can expose themselves. In the case of oil and gas insurance, most of the insurances were reinsured to foreign companies that possessed adequate personnel, capacity and resources to handle or mitigate such risk. This aids capital flight in Nigeria and reduces the capital capacity of the domestic companies. Companies can access the required capital in United Kingdom and Singapore; they, therefore, do not need government compulsive intervention to be players in the oil and gas sectors despite the volatility of the risks emanating from the sector. It was because of this that initially in my company we had tried in the past to be very cautious in venturing into oil and gas underwriting.

Also, the enabling and regulatory institutions are well structured and organized in both UK and Singapore, unlike Nigeria where regulatory agencies have duplication of responsibilities; there are multiple agencies of the insurance companies in Nigeria. This creates conflict of rules in the sector and allegiance to different communities that the companies belong to. This makes it difficult for practitioners to effectively appreciate the position of the government in carrying out their professional duties effectively. In my company, Regency Alliance Insurance Plc., there is a Compliance Officer that ensures the company meets up with the key regulatory requirements.

The table below summarizes the difference between Nigeria and other countries with high insurance market development.

Table 2.8: Indicators of Best Practices

	Indicators	United Kingdom	Singapore	Nigeria
1	Total Premium	$351.26 billion	$23.4 billion	$1.86 billion
2	Registered Companies	1229	161	58
3	Insurance Penetration	12.18	7.3	0.28
4	Contribution to GDP	2.6	1.2	0.39
5	Fund management	£1.8 billion	$130 billion	n/a
6	Share to world total world premium	13	0.57	0.04
7	Contribution to financial sector's GDP and other financial institutions (2014)	Insurance accounted for 20 per cent for the financial sector's GDP and other financial institutions was 80 per cent.	n/a	Insurance accounted for 13 per cent for the financial sector's GDP in 2014 and other financial institutions was 87 per cent.

Source: Author's computation, 2015; and data from The City UK; Abi; Swiss Re, 2014; MAS, 2014; *Nigeria Insurance Digest*, 2013, Ministry of Trade and Investment Singapore, 2013

2.9 Local Content Act Review, 2010

The oil and gas industry in Nigeria has continued to play a significant role and known as the country's strong point in terms of the country's development (Agusto, 2002; Atakpu, 2007). The sector contributes to the quantum of Nigeria's revenue and export but part of the share from the oil proceeds are paid to contractors which are usually foreign for the services rendered in the operation processes, which include drilling, fabrication, engineering procurement and other essential services. The outflow of such payment is huge capital flight (Ihua et al., 2009). The amount involved was projected to climb up to about $15 billion within the past few years based on the current trend (*Business Day*, 2008). The oil and gas industry require large sums of money to service the industry, but only a minimal share is retained in the country, with huge capital repatriated abroad, thereby creating more opportunities to citizens outside Nigeria in the manufacturing, services, fabrication and equipment industry. This could be attributed to the non-existence of Local Content Policy, which positioned the foreign firms as the major supplier and provider of such services. Also, it might be that the local firms lack the adequate skills and manpower, technical know-how, and production and capacity to undertake such task effectively.

The salient point raised does not exempt the domestic insurance industry. Other constraints faced that are peculiar to the insurance sector are capital and structural deficiencies, lack of partnership between the indigenous and foreign firms regarding technical competence, inadequate infrastructure and lack of funds and collateral to mitigate risks in oil and gas operations (Aneke, 2000; Oladele,2001; Heum et al.,2003). This has made the local economy to benefit little in the operations of the oil and gas sector in Nigeria.

In addressing this anomaly, the Nigerian government anticipated the emergence of the Local Content Policy, which was aimed at advocating support for greater home-grown participation in the sector and value added to the economy (MacPepple, 2002; Nwapa, 2007; Ogbodo, 2008; Ihua et al., 2009). Therefore, it is a right step in the right direction.

Globally, the philosophy behind the Local Content Policy in business may not be acceptable. However, the introduction in my country is to ensure that the Nigerian economy benefits in the use of low inputs in production as is obtainable in some developing countries where the Local Content Policy has been introduced. Some of these countries that have the policy are Indonesia, Brazil, Norway, Ghana and Venezuela (Aneke, 2002; Ihua et al., 2009). Although Nigeria started oil exploration and production ahead of these other countries mentioned, but they introduced the policy before Nigeria. These countries have recorded remarkable success by tapping strategically into the concept of Local Content Policy in developing their oil and gas industries.

This has raised concerns on why Nigeria has been unable to overcome her own challenges? In 2010, when the Local Content Policy was introduced as the Nigerian oil and gas development law, the Local Content Policy was perceived as "the huge of composite value added created in Nigeria through utilization of domestic resources and services in the oil and gas sector that maybe accrued to the development of home-grown capability such that the quality, health, safety and environmental standards is not compromised" (Aneke, 2002; Ihua et al., 2009, p. 164). This policy takes into consideration how best it can accommodate the domestic entrepreneur, be it a small, medium or large firm, towards the actualization of domestic capacity building and strategic developmental goals.

With Local Content policy, Nigeria is believed to have strong prospects to drive and transform her economy from major mono-product exporter towards industrialization that can guarantee job creation and ensure equitable distribution of wealth. The fundamental objective of the Local Content Act, 2010 is the creation of value chain in the oil and gas industry for the overall development of the economy by taking full advantage of locally produced materials, personnel, financing, goods and services. This value chain of Local Content is measured in monetary terms in determining its contribution to gross domestic product. For the oil and gas industry to emerge as a catalyst for economic development, every policy direction taken or introduced should aim to guide and redirect the oil and gas sector on the path of development and prospect (Ihua et al., 2009).

This will guarantee the overall benefit and welfare of Nigerians both in the present and the future. So, to achieve the Local Content objectives, the government needs to focus more on the protection and sustainability of the exploitation and domestic utilization of Nigeria's oil and gas industry. This philosophy surrounding the introduction of the policy is expected to be the aim and vocal voice of the Nigerian government.

Although the oil and gas industry has attracted huge foreign investment, technology and personnel into Nigeria, there has been a minimal share of participation by the indigenous companies across its value chain, especially the financial institution, which is the insurance sector. In addition, the disintegration of the insurance market has rendered the sector ineffective and uncompetitive in underwriting offshore insurance in Nigeria (Ihua et al., 2009). This has paved the way for the international insurance companies, such as AXA and Lloyd's, to play a dominant role in the oil and gas insurance sector in Nigeria. Nigeria's experiences are not different from those of Ghana and other developing countries that have oil and gas as their natural resources.

Thus, the passage of the Local Content Act in 2010 provided the opportunity to spread risks involved in the oil and gas industry and guarantee a training ground for the domestic insurance companies.

The initiative of the Local Content Policy is a good idea from the Nigerian government. The initiative seems feasible, but its full actualization remains unclear owing to inconsistency on the part of the government. The policy was targeted at expanding the operations of the oil and gas sector in Nigeria, particularly the upstream and the downstream, promoting technical know-how (skills and technology transfer), and recovering more resources, especially in the oil and gas sector, employment and income generation across sectors, and increased production capacity. Other objectives include the promotion of local participation of the oil and gas sector, raising the domestic value addition across all sectors that depend on oil and gas operations, enhancing investment diversification and promoting local financing in the oil and gas and integrating the oil and gas sectors with other sectors of the economy.

The Local Content Policy makes provision for at least 90% technical competency level areas of operations, which range from low to medium Nigerian content requirements that domestic industries can perform. Aigboduwa and Oisamoje (2013) reiterate the sectoral participation of domestic companies in the oil and gas operations as articulated in the Nigeria Oil and Gas Local Content Act, 2010. This is depicted in Table 2.9 below:

Table 2.9: Sectoral Threshold for Local Content Participation

Sector	Description of Activity	Min. NC %	Technical Competency Level
Fabrication and construction	Pipeline system	100	Medium
	Risers	100	Medium
Materials and Procurement	Steel plates, Flat sheets, and Sections	100	Medium
	Drilling chemicals	90	Medium
Transportation / Supply / Disposal Services	Barges	95	Low
	Accommodation platforms / vessels	90	Medium
	Disposal / waste transport services	100	Low
	Truck package/ product transportation	100	Low
Health, Safety and Environment	Site clean-up services	100	Low
	Safety/protection/security/fire fighting	90	Medium
	Security services	95	Medium
	Pollution control	90	Medium
Communication system	Public address system services	95	Low
Marine, Operation and Logistics	Ship chandler services	90	Medium
	Moving services	100	Low
Finance and Insurance	Security broking and fund management	100	Medium
	Auditing services	100	Medium
	Life insurance services	100	Medium
	Pension funding services	100	Medium
	Insurance broking services	100	Medium
Installation, Hook-up, Commissioning	Pipe cutting and bending services	100	Low
	Cranes/crane barge/Heavy lift vessels	100	Medium
	Decommissioning and abandonment	90	Medium
Project Management/ Consultancy	Decommissioning consultancy	90	Medium
	Subsurface consultancy	90	Medium
Modification and Maintenance	Car wash equipment maintenance	90	Low
	Engineering modification & maintenance	90	Medium
Shipping	Tow of oil vessels to Nigerian waters	90	Medium

Source: Adapted from NCDMB, 2010; NOGICD Act, 2010; and Ovadia, 2013.

2.9.1 Evaluation and Critique of the Local Content Act

The Local Content Act has been passed into law (See Appendix 11) and has recorded some success stories, but this success is limited (Nwakoro, 2011; RY, 2015). The Act has led to the emergence of Nigerian Content Development and Monitoring Board (NCMB). The Local Content Act emphasizes the issues discussed below.

The Act enhanced and encouraged local participation in the oil and gas industry with minimum threshold and usage of local services and materials. This is done in accordance with the provisions of the Act in sections 3, 7 and 11. In addition, the Act places obligations in the upstream oil companies in terms of fiscal, labour and community services. This is clearly stated in sections 25-27 and 28-35 of the Act (Local Content Act, 2010, p. 10; Nwakoro, 2011, p.2). Furthermore, the Act requires the following:

i. Banking, Insurance and Legal Provisions – that all multinational oil and gas companies operating in Nigeria must domicile a minimum of 10% of their current profit in Nigerian banks.
ii. They will contract all their legal and insurance services to Nigerian law firms and insurance companies. Except where the regulator – National Insurance Commission (NAICOM) –states there is the lack of capacity by the insurance industry shall such be placed overseas.
iii. Labour Clause Provision – This stipulates that all projects or contracts with implementation cost $100M and above must contain a 'Labour Clause' that employs Nigerians. Also, Nigerians shall occupy all junior cadre positions.

iv. Bid Evaluation Process – A 10% price advantage is given to a 100% Nigerian owned company over the bids of others. This is in line with Section 16.

v. Local Content Plan – A Local Content plan is to be submitted by an indigenous operator for all projects to be carried out in the oil and gas industry. This is to demonstrate how the operator, with her partners, intends to use locally manufactured goods to meet the needs of its project.

vi. First and Exclusive Considerations – Oil blocks and lifting licenses shall be given to Nigerians and independent operators who qualify. These companies must demonstrate ownership of equipment, Nigerian personnel and capacity.

Special Fund – All contracts awarded makes provision for 1% to build capacity and capability for the sector.

The Act appears good and feasible but the lapses inherent have weakened and frustrated its implementation. One of the criticisms against the Act is that it is poorly drafted and is too vague in nature, which has weakened its implementation (Nwakoro, 2011). Also, key players in the oil and gas industry are not carried along with respect to the steps and procedures of the application as well as the obligations on the operators. These obligations are not stringent enough. The Act is not stringent, which has allowed for violation of the Act by both the insurance and oil and gas companies. But this Act has worked effectively well in Liberia, Venezuela, Saudi Arabia, Kuwait and other Arab countries which are rich oil countries. Initially, the fear is that it might scare investors and reduce our global competitiveness, which has retarded the implementation of the Act. For instance, operators may be complying with the Act by using contractors and suppliers who flout the expatriate's quota guidelines by employing expatriates without approval.

In addition, the adoption of this Act contravenes the bilateral investment treaties and General Agreement on Tariffs and Trade (GATT) that give equal opportunities of investment flows to competition without any restriction (Nwakoro, 2011). The Act makes provisions for the domestic companies through the stipulated minimum threshold for content specification as articulated in sections 11 as a means of protection, which is against world trade organization treaties through the concept of globalization.

Lastly, the Companies and Allied Matters (CAMA) laws are steadily and consistently abused by the operators of the Local Content Act. This is because Nigerians' stake in the floated companies (operators) is not up to the minimum requirement of 51% equity shares, thereby violating the Act.

These issues need to be addressed for Nigerian companies to benefit more from the implementation of the Act, especially in the oil and gas industry, which is the life line of the economy.

2.10 Challenges in the Nigeria's Oil and Gas Sector

Since the discovery of oil and gas in Nigeria in 1956, the sector has remained vibrant and changed the history of Nigeria for good. This energy resource has placed Nigeria on the global map and quickened Nigeria's development and membership of international associations, like Organisation of Petroleum Exporting Countries (OPEC) (KPMG, 2016). This sector has witnessed huge impact and transformation, but it is dominated by multinational companies until the 1990s when Nigerian companies started emerging and participating in the industry through the Nigerian National Petroleum Corporation (NNPC) with nation's daily production capacity of 2.3 million barrels per day, which raised her proven reserves to about 37 billion barrels (NNPC, 2015).

Despite the abundance of both human and natural resources (especially oil and gas) used to generate wealth in Nigeria, Nigeria still ranks as one of the poorest countries in the world, that are characterized by inadequate education, lack of technical prowess, high unemployment rate (Ovadia, 2013). It is paradoxical that the bulk of the expenditures in the oil and gas industry is filtered outside. Despite the huge benefits accruing to Nigeria through the oil and gas sector, it is faced with a lot of challenges, such as low domestic participation, poor infrastructure, government underfunding, and lack of both human and technical know-how and Niger-Delta crisis (KPMG, 2014, p.19).

The Nigerian oil and gas industry is a vast industry and a major source of export and revenue base, with multinational companies as the key players in the industry. This sector has low or little domestic participation in the value chain of oil and gas operations in Nigeria to the extent that the bulk of the contract is ceded to foreigners. That is, the little domestic participation accounted for less than 5 per cent of the oil and gas gross earnings until recently that the share is increasing steadily (KPMG, 2014). To worsen the case of local participation, most of the multinationals and domestic companies prefer to patronize foreign companies. For instance, the Nigeria LNG prefers to patronize foreign media, such as CNN, BBC and even sponsors foreign programmes with a minimal share given to domestic company for advertisements, a job in which Nigeria has expertise.

In addition, the oil and gas sector has been faced with infrastructure gap, which is required to operate and manage the industry. This has remained one of the fundamental constraints because the gas that needs to be processed is flared and there is pipeline vandalization. Availability of sufficient infrastructure will enhance the process of gas monetization, increase the gas to power initiative and guarantee oil and gas sustainable development through the oil and gas sector as obtainable in Saudi Arabia and United Arab Emirate (KPMG, 2014, p.19).

Also, the oil and gas sector is highly capital intensive and requires huge investment in both human capital and physical capital. For instance, the Nigerian National Petroleum Corporation (NNPC) and other domestic companies need geologists, engineers, geophysicists and others to fulfil their joint ventures obligations (KPMG, 2014, p.19). This has weakened the desire by domestic companies to participate in the oil and gas industry and other service firms at every value added of the company (KPMG, 2014). This has remained a problem to the intending indigenous firms where the idea of knowing-doing gap exists. This causes disconnection between policy formulation and policy implementation.

Furthermore, the Niger-Delta crisis has become a big monster in the area where oil and gas are found. Recently, different militants have emerged and threatened the operation of the oil and gas industry through constant pipeline vandalisation, oil and gas theft and bunkering. These issues have led to several losses of both products in monetary values through export and revenue (Ovadia, 2013). The actions of the militants, coupled with declining oil prices, nearly paralyzed the Nigerian economy; they seriously affected Nigerian revenue and budget execution (KPMG, 2014, p.19). These actions send a bad signal to foreign investors and raise the cost of insurance premiums for operations in that sector.

Other problems that are prominent in the oil and gas sector are lack of political will to think through plans and strategies for the industry, weak institutional and regulatory agencies, policy inconsistency, lack of coordination among the stakeholders in the industry. These issues should be seriously addressed to guarantee the sustainability of the industry.

It is because of this that government decided to mandate the insurance companies in the market to become effective players in oil and gas insurance. This step, in the long run, will strengthen the capacity of the insurance companies in the Nigerian market to become capable to underwrite complex risks not only in oil and gas, but also in engineering, aviation and marine.

This challenge further prompted me to pick interest in seeking how my company could take advantage of the gap to boost our capacity to accept complex risks that we had been avoiding in the past.

2.10.1 Oil and Gas Sector Risks in Nigeria

I will attempt to identify the risks faced by oil and gas companies which Nigerian firms encounter in their day-to-day operations. Bigliani (2013) states that most of the oil and gas companies face series of risks. They include operation and market price risks, which have a way of influencing and threatening the organizations, thereby compelling them to buy insurance policies (p.1). I will also look at the roles of insurance in the oil and gas sector in Nigeria.

Globally, the economic cost of natural disasters and energy risk is on the increasing path. These heavy risks have become a burden for the human society and raised the question: Are catastrophes insurable? Given the risky nature of oil and gas activities, taking cognizance of the need to insure risks should be a major concern to oil and gas companies' (Cooke and Kousky, 2009; Zhao, 2010). In view of this, it is imperative to discuss the various types of risks facing the oil and gas industry in Nigeria and similar countries. Allianz (2014) argues that the energy sector employs high valued assets which combine with complex risks; this makes the cost of energy claims to constantly increase.

The oil and gas sector accounted for nine (9) activities that resulted in loss among the topmost 20 incidents in 2013. This positioned the oil and gas as one of the non-catastrophe top losses in 2013 accounting for about $3.2billion and 40 per cent of the top 20 total losses and one of the largest insured losses on the 2014 list. The oil and gas sector (energy) had the highest average value of claims of €20.8million and it cut across the energy line of business (Bigliani, 2013; Allianz, 2014).

The decline in the price of crude globally, accompanied with business interruption and the number of emerging risks, tends to make for a more challenging future environment for the oil and gas sector along with the insurance companies. Globally, the oil and gas activities are exposed to several risks in the business operation, which can be classified into transportation (pipeline), operator, equipment, environmental and weather-related risks (Dismukes and Christopher, 2011). Apart from these, the sector is faced with conventional risks such as motor, fire, theft, and public liability.

i. Transportation-related Risks

This is the type of risks that is associated with the movement of vessels, bulk cargo, shuttle crews and chemicals in the areas of operation. This is one of the most essential processes of operation which ensure that supplies to drilling units are guaranteed. Fowler and Sorgard (2000) argue that transport risk is one of the major concerns inherent in the oil and gas industry. In addition, bulk cargo tends to pose a threat and additional risk to the personnel and the vessels and insurance must be able to cover these risks. Akpan (2011) avers that the total volume of oil pollution caused by marine oil transportation is 500,000 tons a year. It is viewed that as more goods and services are moved between offices and plants the risk attached increases.

ii. Operation-related Risks

The oil and gas activities are inherently characterised by dangerous apprehensive risks that require a significant amount of human labour to carry out. The nature of activities at the rigs, floating production and oil and gas plants draw human closely to chemicals and volatile substances that might affect people negatively (Bigliani, 2013). Despite the safety measures and conscious culture put in place in by the companies in their operations, human negligence and errors still exist; this can be attributed to operator related risks that can affect the organization significantly (Bigliani, 2013; EY, 2015).

Allianz's (2014) study revealed that, in 2013, fire was the number one cause of energy losses both in terms of number and values, accounting for 45 per cent and 65 per cent, respectively. It was followed by blowout and explosion. Technological risks are also associated with operation risks, which comprise risks attached to operation and maintenance of rigs, floating production, storage and offloading units, onshore and offshore refineries and network management. Recently, a helicopter was returning from the oil rigs and crashed in Lagos State, Nigeria. Many more of these incidents abound and require insurance companies that have huge financial base, expertise and competence to cover such risks.

iii. Equipment-related risks

Another important factor or related risk in the oil and gas industry is equipment-related risks which attract high insurance premium. Equipment might get defects and malfunction at times, which creates hazards to the operating personnel as well as the insurance companies that insured the oil and gas companies against those risks. Most of the operators in the oil and gas industries employ up-to-date technologies and equipment to reduce the cost of exploration and production and mitigate preventable risks (Bigliani, 2013; EY, 2015). With the adoption of up-to-date equipment certified by the regulators of operations in the oil and gas industry, there will be competitiveness and conformity with global best practices. The machinery breakdown risk accounted for six per cent (6%) by value and 14 per cent by number of claims in 2013 (Allianz, 2014).

iv. Market risks

Market risks are fundamental in most business cycles, involving risks associated with losses arising from fluctuations in market prices. Usually, these risks are attributed to stock prices, inflation, currencies and commodity price (Deloitte, 2015). In the oil and gas industry, the price of crude oil at the international market has significant impact on the performance and profitability of the companies. For instance, in the early 2014, the price of crude declined from $100 to about $40 per barrel for both West Texas Intermediate and Brent oil prices until recently when it hovered around $50-$52 per barrels (EY, 2015; Deloitte, 2015). This decline in prices has weakened and threatened the survival, operations, corporate policies, profitability as well as the insurance premium of the insurance sector activities.

v. Regulatory risks

The regulatory risks are the risks that organizations are exposed to because of non-compliance to the rules and procedures of the regulatory agencies (Bigliani, 2013). This suggests that, as organizations violate the rules of their operation, the regulatory agencies sanction them, giving penalties which might erode their financial statement and operational activities. For instance, the Nigerian government sanctions oil and gas companies for gas flaring up to the tune of $500million to $1billion. However, these sanctions were not effective due to negligence and inefficiency in the regulatory institutions in Nigeria unlike in countries such as Russia and Saudi Arabia (*Vanguard*, 2016).

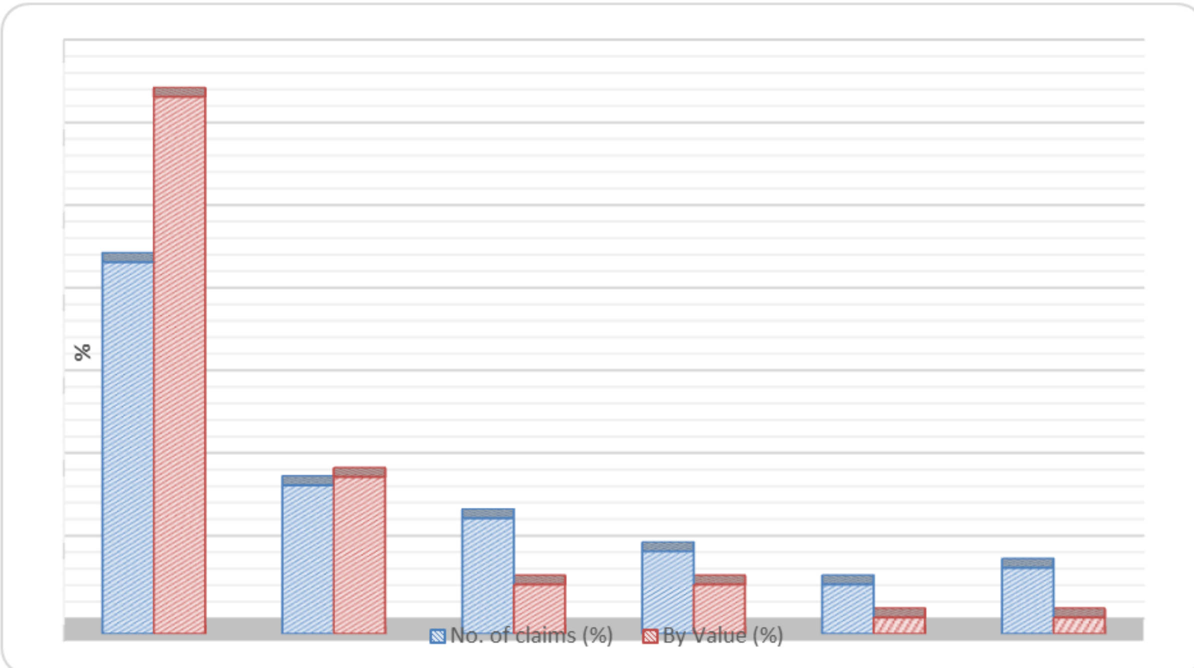
vi. Environment-related risks

Environmental risks can also be referred to as natural hazards and other business interruptions in the oil and gas sector. The process of moving from onshore to offshore and deep-water raises a concern to the environmentalists and poses a great threat to the environment.

Some of the environmental risks are air pollution, oil spillage, the aftermath of blowouts, fires and explosions, unintentional discharges, pipeline strikes and failures, and gas flaring. The later risk is considered the most serious of all the risks because of the cost and consequences involved. In the energy loss database are reports of environmental hazard and their cost implication in relation to the living environment.

The natural hazard risk constitutes two per cent (i.e. 2%) of top causes of losses in the energy sector (Allianz, 2014). The top causes of energy losses classified into number of claims by value into fire, blowout, machinery breakdown, explosion, contingent business interruption and others in 2013 are displayed in Figure 2.13 below:

Figure 2.13: Top Causes of Energy Losses: Energy Claims (€1million +) in 2013



Source: Allianz, 2014

2.10.2 Insurance of Oil and Gas Sector

Insurance appeared a very long time ago as a concern for the protection of human lives and property values. World economy witnesses one or more catastrophic hazards in business environment, especially in the oil and gas sector that might result in human and financial losses. Some of the catastrophic hazards include earthquake, hurricane, fire, flood, and nuclear risks, which have affected insurers and the insured (Insurance Information Institute, 2011; Marovic and Zarkovic, 2002). The oil and gas sector operates in most volatile environment, with catastrophic hazards also occurring frequently. Between 1970 and 1989, insurance covered catastrophic losses on an average cost of about $8.3 billion dollars a year, and $32 billion a year between 1990 and 2007.

Owing to the capital intensiveness and volatility of oil and gas, the sector is highly exposed to high risk in terms of operations. The oil and gas sector is a vital sector to any economy. Despite this attribute, it receives less attention in terms of risk and exposure to hazards than other sectors of the economy. Exposure lies in the operation that is embedded in non-life insurance and manpower is covered by life insurance.

Generally, the business environment and mode of operation of the oil and gas sector is the main determinant of its risk exposure (Swiss Re, 2011). The mode of operation has been identified as the core hazard driver in the oil and gas industry. This cuts across the hazard involved in exploration, drilling, rigs, explosion, plant, pipeline, and freight of manpower and goods.

According to Swiss Re, if the hazard in the mode of operation is extremely high, the longer process of turnaround maintenance might be altered. This might have led to a higher number of risk-prone circumstances due to mode of operation. Because of these factors, the overall risk increases and, on the aggregate, all these factors of safety in the oil and gas industry are seen as the core of risk management. The operators in the sector have raised concern about improving safety awareness at all levels of the value chain of operation, as suggested by insurance experts. This is to mitigate property losses, as well as prevent and reduce injuries and fatalities at the workplace and emergency procedures.

The insurance firms that venture into underwriting for the oil and gas sector must understand the fundamentals and peculiarities of the oil and gas sector. Insurance companies must be able to carry out risk assessment for the oil and gas companies that must cut across all the envisaged operational hazards. Swiss Re (2011) gives the following fundamental elements that must be considered before any insurance company underwrites for any oil and gas risks:

- Mode of operation: This reveals the extent to which the systems limit are explored.
- Turn around interval: This shows the scheduled, strategic or periodic total or partial shutdown for repair or inspection or maintenance of the plants.
- Number of changes during steady state operations: This entails changes to improve operations while the plant is running at its peak
- Maintenance intensity during steady state operation
- Organizational changes, manning levels and staff fluctuation
- Extent of contractor use
- Inspection environment

2.11 Governmental efforts through Supervision

Guidelines come from the National Insurance Commission (NAICOM), the regulator of the insurance industry. The synopsis of the guidelines on Local Content Policy by NAICOM is given below:

Firstly, the oil and gas activities, with respect to other related businesses, such as insurance and financial, will be in accordance with the laid-down rules and regulations. These include Insurance Act, 2003; National Insurance Commission Act, 1997; and Nigeria Oil & Gas Industry Content Development Act, 2010.

In addition, all the movable and non-movable assets managed by both individuals and organizations must be registered and insured within Nigeria, as stipulated by the NAICOM, in accordance with the Nigerian Insurance Act, 2003. Where the Nigerian companies lack the capacity to insure the risks associated with the assets or operation of the oil and gas sector, only the Commission can give approval.

This suggests that Nigerian companies will underwrite what they can, but others will be reinsured by foreign companies.

Furthermore, no person or insurance company can insure and reinsure major insurance products, such as life and non-life (that include assets and property) within Nigeria, with foreign companies in accordance with the Insurance Act, 2003. This suggests that preference is given to domestic insurers over foreign companies.

Also, overseas insurance in oil and gas is only made possible if and only if such transaction cannot be secured or underwritten locally, with the Commission's approval. So, unless the domestic options are fully exhausted foreign options cannot be considered.

Lastly, the oil and gas underwriting must satisfy and meet all the necessary terms and conditions stated in the Insurance Act, 2003.

These rules and regulations are clearly faulted by insurance and oil and gas companies in the process of cutting edges and earning premiums. These actions contravene commerce because the guidelines limit the scope of insurers' activities. The ethics of the industry emphasize fairness and obedience to regulations but that only exist in the literature in the Nigerian context (Nigerian Insurance Industry Code of Ethics, 1991).

In spite of all the efforts made so far by the regulatory agencies to ensure and guarantee that domestic insurance accounts for the bulk of the oil and gas industry, there are still factors preventing the achievement of these goals. This formed the core questions that I addressed in this study.

2.12 Empirical Review on Professionals' and Academics' Reflections on Oil and Gas Underwriting

This section reviews the perceptions of the professionals vis-à-vis those of academics in other to enrich this study. This is done to establish the linkages between the views of academics and professionals (and practice) on the subject matter.

KPMG (2014) evaluated the African insurance market over the years. It established the advent of new investors and increasing merger and acquisition. This suggests that the low insurance penetration is supported through the economic and demographic indicators of the regions. There is great potential ahead for investors. Active regulatory role, innovation and government policies will boost the growth of insurance participation in sub-Saharan Africa, especially Nigeria. Although non-life insurance remains the most active and vibrant, investor's interests lie in oil, shipping, infrastructure and real estate. The fundamental issues that remain include high fraud in claims management, poor data management, lack of innovation, shortage of skill and capacity in core and deep insurance, and low capital for local insurance to insurer investment opportunities (p.2). In a similar study carried out on 280 insurance executives around the world by KPMG (2015), it was found that most of the customers were craving for innovation in the insurance sector as compared to the recycle model, which has not made it attractive. However, the KPMG report in 2016 reiterated that the insurance sector was witnessing a transformation, but it might be hindered and change the challenges facing the sector in the next two decades owing to overexposure to political risks both locally and globally. This means that African insurance will continue to witness up and down.

Furthermore, the insurance industry analysis carried out by PWC (2016) evaluated the current position of insurance industry in Africa. It also considered the opportunities and challenges that lie ahead.

Deloitte (2017) asserts that the insurance sector in Africa is experiencing significant changes as a result of the changes in social, economic, political and regulatory changes in the industry, which might affect the operations of the industry players. The new dimension of crime (cyber-attack on corporate organizations and government) and development is repositioning the insurance sector and exposing it to a new path of threats. High-level technological development and modernization to drive economic growth should be the future concern of most of the insurance companies now.

Similarly, Ernest Young (EY, 2016) considered the growth opportunities and the risks for seven major markets –Nigeria, Ghana, Zambia, Kenya, Tanzania, Malawi and Uganda, with focus on 125 insurance executives and regulators. It observed that Zambia and Kenya ranked first in opportunities and advanced insurance market, respectively. The result obtained was not different from what KPMG studies revealed. They claimed that, although the income group in Africa is increasing, there still exists low penetration, with technology, volatility returns, and capacity being the major challenges in all the markets (EY, 2016). In addition, lack of innovation, fraud and lack of trust are the major waves of risks that African insurance companies are facing. However, in countries that have natural resources, foreign insurance seems to dominate.

From another perceptive, A.M. Best (2016) asserts that African insurance is facing a serious challenge that might stall its growth, as it is vulnerable to low commodity prices (most especially price of crude oil at the international market) and political uncertainty. For instance, China's economy is slowing down, which will have a significant impact on Nigeria, as China is the major buyer of Nigeria's crude. This alongside change in government in countries such as USA and France, and Brexit might compromise the financial strength of the insurance market in Africa. Since, most oil companies are foreign-owned, low prices will affect their mode of operation and might lead to delay in premium payment and collection, which threaten the oil and gas premium income earned. The sub-Saharan Africa re-insurers are still characterized with low capital bases, which narrow their risk adjusted capitalization.

Lastly, African Insurance Organization (2016) emphasizes the role and strength of insurance in Africa. It identifies the major factors that has continued to weaken insurance growth and development. These include inadequate manpower and skill shortage, low insurance penetration, lack of trust, inadequate awareness on the benefits of insurance products and insufficient product differentiation in the market. These have forced most organizations to patronize foreign companies.

In summary, the practitioners perceived the insurance sector as fundamental to any economy, particularly Nigeria that has oil and gas. They all stated that the insurance in Africa is mainly characterized by low penetration, lack of trust and low capital base. Most of the academics agreed with these challenges but some had reservations that mergers and acquisitions would rather result in losses and unemployment. This posed another concern of choosing between efficient and effective insurance industry and unemployment, but the decision is influenced by the benefits and costs attached to each decision. Also, the academic view has emphasized insurance and economic growth with less emphasis on insurance and Local Content participation, which has been the clamour of insurance practitioners and professionals. The table of the relevant literature is attached as Appendix 1 of this work.

2.13 Gap in the Literature and in Practice

As an insurance practitioner, I reviewed both academic studies (Anthony and Luke, 2011; Elendu, 2013; Akinlo and Apanisile, 2014) and professional studies and reports (KPMG, 2014; EY, 2016). I found that most of the studies have focused on insurance and economic growth and development, problems of insurance industry and insurance penetration in Nigeria. The academic studies and professional studies have documented the relationship between insurance and economic growth and established that insurance premium has enhanced economic growth and development in Nigeria over the years. Although few professional studies discussed oil and gas insurance, to the best of my knowledge, no academic study has focused on oil and gas insurance in Nigeria in a comprehensive manner. None of the academic studies has given attention to oil and gas premium in the Nigerian context. This has created a gap in the literature, especially in Nigeria. This needs to be filled and has informed the research questions and objective 1: "*To assess the trend of oil and gas premium earned in the insurance sector in Nigeria,* of this study. This allowed me to shed more light on the oil and gas insurance in Nigeria.

In addition, there are both academic and professional studies (Ovadia, 2013; 2015; Siwage, 2016) on Local Content Policy, Local Content Policy and oil and gas and its impact on the economy, with little on the different sectors, especially insurance underwriting in Nigeria. These studies found that the Local Content Policy has worked for some countries, including Nigeria but this impact seems little, with regard to enhancing development let alone how it has enhanced insurance underwriting in Nigeria, particularly oil and gas underwriting. I observed that research on the Local Content Act and oil and gas underwriting in Nigeria is scanty, which has created a gap in the literature on the need to explore the Local Content Act on oil and gas underwriting in Nigeria in terms of literature and methodology. This gap has to be filled by raising the question: Has Local the Content Policy influenced oil and gas underwriting?

Lastly, both academic and professional studies and reports have identified the problems faced in the insurance industry. However, the oil and gas industry is distinct; it has some unique challenges as well as unique underwriting. I observed that much of insurance underwriting to the oil and gas is ceded to foreign companies, which has resulted in huge capital flight. Despite the adoption of the Local Content Act and the emergence of consortium pool of domestic insurance, foreign insurance companies still dominate the oil and gas underwriting in Nigeria. This has made me as an insurance practitioner worry on the following: Why cannot the oil and gas underwriting be domesticated? What are the factors responsible? The curiosity to provide answers to these has formed a gap in the Nigerian literature that I tried to fill.

The few studies that considered the disaggregate only emphasized the life and non-life premiums, with less attention on the oil and gas premium in the total insurance premium in Nigeria. Oil and gas income is now to be properly ascertained and this will show the relevance of this sector to the overall performance of the insurance industry. This has formed a gap in both literature and practice of insurance in Nigeria. This has produced the need to determine the trend of the oil and gas premium in the overall insurance sector income in Nigeria, especially to the domestic companies.

In addition, there is the notion that globalisation crowds out domestic employment, investment, profits and companies (Hufbauer, 2010; Otsubo, 2015). This suggests that the Nigerian insurance companies are at risk of job loss, as well as income, investment and profitability of foreign companies, which might have resulted in low patronage of the domestic insurance companies in the oil and gas companies (Kosova, 2010). This has prompted the introduction and implementation of indigenous policies in countries; this is known as Local Content Act in Nigeria, which is aimed at enhancing domestic participation in the oil and gas sector and other sectors of the economy.

Our academic literature (Ovadia, 2013; Ovadia, 2015; Siwage, 2016) has considered the implication of the Act on the oil and gas sector with little or no studies on the insurance aspect of the sector. The professional views have always assumed the impact without empirical backing. This has created a vacuum in the Nigerian context with respect to capturing how the Local Content Act affects oil and gas domestic underwriting in Nigeria. This will assist me to consider the likely implications of the Local Content Act for the insurance underwriting of the oil and gas operations in Nigeria.

Also, our academic studies (Elendu, 2013; Akinlo and Apanisile, 2014) have always considered insurance and economic growth and development in the economy without identifying specifically insurance in oil and gas and its role in economic development. This has created a gap that needs to be filled by identifying the factors affecting the domestication of the oil and gas underwriting in Nigeria.

Furthermore, in practice at the various professional fora, such as educational conference of Chartered Insurance Institute of Nigeria, Marine Offices Committee, where technical issues on oil and gas are discussed as well as the meeting of Chief Executive Officers of insurance companies, the issues discussed and the gaps I found necessary to address include:

i. Rating of risks

   Risks are currently rated by most insurance companies without ascertaining the fundamentals of the risk other than the premium income.

   I intend to call a meeting to address stakeholders to make insurance businesses profitable.

ii. Lack of cooperation among operators

   This has not made the synergy required in the industry to operate. The fear of sharing information to enjoy synergy is lost. Cooperation would lead to sharing businesses together through coinsurance and facultative insurance. I would seek a forum to foster greater cooperation because the more cooperative the industry is the bigger their retention of risk will be.

iii. Qualitative and timely data

   There is need for timely data to aid stakeholders' decision-making in the sector. Data available are very obsolete, incomplete or even non-existence. The research and development unit of National Insurance Commission (NAICOM) and Nigerian Investors Association (NIA) will need to be rejigged.

iv. Capacity building

   In spite of government effort, regulation and increase in the capital of insurance companies through merger (NAICOM, 2007), capacity is still low both in capital and skill. I would champion the need for the registration of two more reinsurance companies to increase capacity building

v. Lobby group

Currently, there is no strong lobby group in the industry on government to embrace insurance patronage. Stakeholders would need to come together to lobby government for compulsory insurance to work as well as insurance being in the budget of government.

In the area of literature, there is need to further focus attention and information on primary data. Most of the current literature is based on secondary data.

Globalisation, which much of the literature preaches, with its attendant benefits, such as economies of scale and transfer of technology, should not be traded for domestication in view of the peculiar level of development in the insurance of oil and gas sector. I would seek a modified domestication approach.

2.14 Future Prospects/Challenges

Indigenous oil and gas companies as well as the service companies are faced with finance constraints that have positioned them at a disadvantaged position. This lack of finance and funding has deprived indigenous firms the opportunity to operate efficiently and compete effectively against their foreign counterparts that have access to funds with low interest rate. In Nigeria, the process and procedures to access capital is very tedious, accompanied with high interest rate, which has made it impossible for the indigenous companies to embark on and execute long-term projects in the oil and gas sector (Ihua, 2009; Ovadia, 2013; IFC, 2014). This has called for concern for both policy makers and government, with respect to the need to create a pool of finance and funds to strengthen indigenous participation and attract partners to collaborate with domestic players in the oil and gas sector as well as the service industry (insurance and financial sector).

In addition, the few indigenous firms in the oil and gas industry lack the required capacity, technology and technical know-how. This suggests that Nigerians lack the skills and exposure in oil and gas activities, thereby restricting the possible managerial and professional positions that can be attained by indigenous companies in Nigeria. This is now changing, as Nigerians now occupy managerial positions. Therefore, policy makers should ensure that adequate funds are made available and transfer of technology and machinery is promoted.

Furthermore, there is evidence that the few domestic firms lack adequate and sophisticated technology required for ease of operation compared to the foreign companies. The indigenous firms need to come up with indigenous technology that is most suitable for oil and gas operations. For instance, the existing domestic refineries operate below expectation and face incessant shutdown, which has called for government attention. The government has attempted various strategies and taken the necessary actions through the recent recommendation towards the conversion of illegal oil refineries into acceptable modular refineries. These modular refineries will promote domestic participation, which will trickle down to other sectors of the economy.

Likewise, the inconsistency in government policies by various past leaders have worsened the oil and gas sector. For instance, the petroleum investment bill was delayed and signing the bill into law was frustrated. This law would have raised the standard of domestic participation but only little has been achieved, except for the Local Content Policy. Therefore, it is strongly argued that these policies should be private-driven and encourage public and private participation in order to promote the oil and gas export market. The core values of the Local Content Policy should be pursued without compromise so as to enhance domestic capacity, increase productivity and allow for new entrants into the oil and gas sectors in Nigeria.

There is need for outsourcing and more investment in training and development, which might be channelled towards oil and gas development and facilitate infrastructural development. This alone will have a multiplier effect on other sectors of the economy in terms of energy sources, such as oil for transportation, gas for electricity generation and so on.

Lastly, it is important to ensure synergy among all the stakeholders and players in the oil and gas sector. The sector still faces other issues, such as weak institutional capacity (See Appendix 5), lack of political will and lack of support from relevant stakeholders and corruption.

2.15 Conclusion

This chapter was to assist me to have a better understanding of the background of principal issues involved in my research so that I could, in the course of the research, address the issues that I raised as research questions in chapter one of this work. This would bring to focus my experience and that of my industry in addressing the research problems effectively. My role was also to examine the issues surrounding the implementation of the Local Content Policy, otherwise known as the Nigerian Content Policy, and see how my company and other players in our market could effectively key into this government policy and tap from the available opportunities to the players, in particular, and the Nigerian economy, in general.

From the relevant literature studied, there is not much on the Nigerian experience in the Local Content Policy both from the professional and the academic points of view because the concept is still new. The approach adopted for this research to make it credible and acceptable is captured under methodology. The next chapter will focus on this.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

My choice of methodology and data gathering activities

My interest in insurance dates back to over two decades that I have been in the Nigerian insurance industry and I am a person who believes that one should make some positive impact in one's chosen profession.

The methodology chosen is anchored in the concept of research onion, as postulated by Saunders et al. (2012). The research onion shows the step-by-step procedures that helped to choose among alternatives in making decisions. This methodology was chosen based on the guidance of the research onion, thereby providing the procedures to gather data for my study. This requires the views of the insurance practitioners, which are qualitative data that can be generated through primary data. This necessitated the use of questionnaire (Sanders et al., 2012; Dudovskiy, 2012). This allowed me to explore their views with respect to their awareness of Local Content Act, benefits and contribution towards underwriting oil and gas operations as well as the challenges. This approach is most suitable based on my view and knowledge acquired on the existing literature on research methodology.

It is with the above in mind that I embarked on the DProf programme at the Middlesex University and this research. To effectively carry out the research, I understood the needs of the participants to provide relevant data about their organisation and practice. This ordinarily they would not do. I knew right from the beginning that I would be needing assistance, especially in the administration of the questionnaire for this research. There were cases where I met some brick walls in the administration of the questionnaire in selected companies and I had to seek the assistance of my Managing Director to talk to his colleagues in those companies for their co-operation, which he kindly did.

Apart from the administration of questionnaire, the collection of data also posed some challenges, especially from some of the agencies of government that are key to the research. There are times that I would get to such offices after booking an appointment earlier only not to meet the officer in charge and there was no rescheduling of the appointment; even some refused to see me. This was frustrating, but my friendly disposition assisted me greatly to get some form of co-operation needed from these officers and participants.

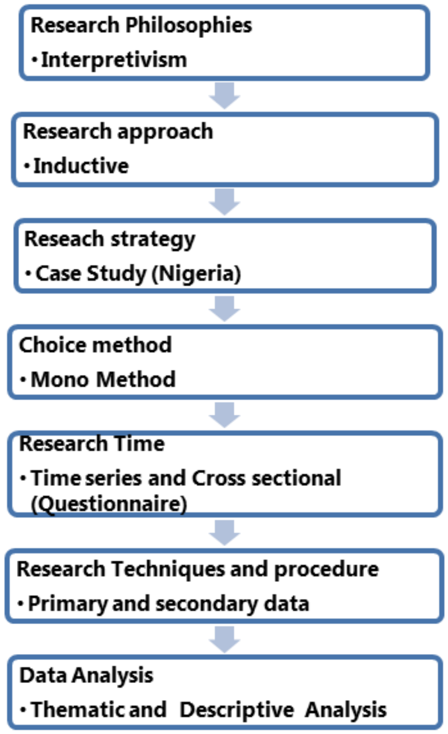
The instruments I used in carrying out the research were questionnaire and interview. I also adopted review of underwriting documents and focus group discussions.

My reason for choosing the methodology was because of the nature of the research which requires the participation of the professionals involved in the implementation of the Local Content Act and not onlookers who will just wait for the result of the research and use same. Another reason for the use of the methodology was the peculiar nature of the Nigerian research environment, such as the culture of people, religion, illiteracy, and necessary secrecy to withhold information unless people are close to you.

The limitations included respondents providing the responses to suit what they feel the researcher wants to know, which may not meet the essence of carrying out the research. However, to authenticate the data, I had to do follow-up interview with some of the participants impromptu on some of the questions on phone and also cross-check both responses from the same respondent with that of the interview. I did this to ensure that the responses from the interviews correlated with those from the questionnaire.

The research paradigms used during this study is shown in Figure 3.1

Figure 3.1: Research Paradigms



Methodology is critical to any research and epistemology and ontology provide the underlying depth of the study. These two concepts are essential because they influence the research perspective and are both elements of the philosophy of knowledge. Although they often overlap, there exists a clear distinction between the two. Ontology focuses on what things are describing things and their relationship to answer the question of what it is, while epistemology is concerned about the way one knows things to investigate the ways that leads one to think like that (Crotty, 1998; Creswell, 2003; Grey, 2009; Laggrosen, 2012; Saunders and Rojon, 2014). The concept of epistemology tries to understand what it means to know. In view of this, I will find out the current state of the Nigerian insurance industry in terms of its acceptance of oil and gas risks in its underwriting portfolio (ontology) and what it should be (epistemology). This knowledge will help the practitioner-researcher to proffer solutions to the research problem (Costley, 2009). Therefore, epistemology was applied as the research philosophy because it allowed me to adequately seek knowledge about the subject matter in terms of the theoretical underpinning and practical domains in the literature. This assisted me to ruminate on the following questions: Do I truly understand the research problem? Do I have sufficient knowledge and background in carrying out this research? How will this study and programme improve my understanding of my practice so as to contribute to the developments in my company, in particular, and the Nigerian my industry, in general? Therefore, this study shed more light on the practice of Nigerian insurance industry and how the adoption of Local Content has influenced underwriting of oil and gas risks in Nigeria.

My focus in this research was to investigate the challenges facing the Nigerian insurance industry in the domestication of oil and gas risks. Currently, more than sixty per cent (60%) of the associated risks from oil and gas in the country are insured in the overseas market. This made the Nigerian government to formulate a policy to compel the industry to insure the risks in the Nigerian market (Daniel, 2012).

From the books I read about research methodology I found the need to articulate well the methodology that I used in this study. This is to help the readers and other interested stakeholders understand and appreciate the methods and instruments used in the research, since this work-based research is different from the conventional research (Costley, Elliott and Gibbs, 2011). In addition, my focus was also on how to use the most appropriate methodology to enhance the results and give room for proper interpretation of results.

Methodology plays a crucial role in any research with regard to data collection procedures that is most suitable for achieving the objectives of a study (Costley, Elliott and Gibbs, ibid). It serves as a link between the objectives of the study and the hypotheses. My search for the literature on the subject made me to know that methodology cuts across how the data or information is collected, where it is collected or sourced, and how it is measured and analysed. I accept the views of Saunders et al. (2012), who views methodology as the lucidity of scientific investigation in research or study. This means that it is the process through which I can consider the data and information I gathered, the techniques I used, the limitation and characteristics of the data and the underlining assumptions to arrive at a reasonable conclusion (Lagrosen, 2012). This entailed my understanding of the procedures involved in explaining the fundamental phenomenon and how to go about it. This gave me clues on the types of data to employ, primary or secondary. The choice of the data depends largely on the phenomenon I am trying to explore and explain. I employed both primary and secondary data to actualize my stated objectives.

3.2. Plan of Investigation

In my initial plan, I anticipated that I would have concluded the field work for the research within a period of five months, which was between 1st October 2012 and 28th February 2013; but as at 2017 I was still on it.

In my plan of the investigation, I marked out the companies that underwrite oil and gas risks in Nigeria using the underwriting results of such companies as published in *Nigeria Insurance Digest* (2014). Some companies were selected for investigation because of time; I had the big companies, with my own company, Regency Alliance Insurance Plc. as the main source of data for the research.

Apart from the administration of questionnaire, I personally conducted interviews with the major players in the sector. This was possible because I schooled with most of the leaders in the industry at the university. In the early 1980's only two tertiary institutions offered Insurance. For the use of data from my company, I had an approval and cooperation in this regard. My Managing Director directed the Head of Finance to assist me with all l would need to carry out the research, since the company would also benefit from the results.

I used interview alongside administration of questionnaire, because there could be need for clarification of data and seeking of further information on an issue or issues pertaining to the data which were not captured by the questionnaire.

I also visited the Nigerian Content Development &Monitoring Board in Bayelsa State and the National Insurance Commission in Abuja for primary data. Besides, I was in contact with the Marine Office Committee, that is the technical committee on Oil and Gas Risks in Nigeria.

For four years, I reviewed the collected data and received support from these stakeholders.

3.3 Selected Research Strategy

I adopted the case study approach in carrying out the research, which is an inductive approach to research for a work-based project for better results. This was to bring together data collected from other practitioners in the industry to come up with a meaningful solution to the problem. Besides, case study is associated with theoretical sampling. This technique allowed me to ensure that the sample used was consistent and enhanced the progress of this study without reference to statistical sampling techniques (Institute for Work Based Learning, Middlesex University, 2010).

I also discovered three research strategies in the literature, which are the quantitative, qualitative and mixed methods. The quantitative research focuses on numbers; the qualitative method emphasizes the use of words; while the mixed method combines both the qualitative and quantitative. The qualitative approach allows one to explore and understand social problems that affect both individuals and groups with the purpose of making logical deductions. It focuses on asking questions as a means of generating and collecting data. The data are then analysed and interpreted to arrive at a conclusion (Creswell, 2008). The process of establishing relationship among variables and testing the validity of the theories connotes quantitative approach.

During the study, the following research strategies were identified: survey strategy, experiment strategy, case study strategy, action research strategy, grounded theory, and archival research (Grey, 2009) These can be categorized into three groups as shown in Table 3.1.

Table 3.1: Research Strategies

Quantitative*	**Qualitative***	**Mixed methods**
Non-experimental designs, such as survey*	Case study*	Sequential
Experimental designs	Grounded theory	Concurrent
	Phenomenology	Transformative
	Ethnographies	
	Narrative research	

Source: Author, 2016.

All these strategies are relevant and good. None of them is superior; they are adopted based on how appropriate they are to a study. Case study allowed me to explore in-depth activities of insurance companies and domestication of oil and gas underwriting in Nigeria.

3.3.1 Selected Research Approach

The two major research approaches I employed for the work were deductive and inductive (Collins, 2010; Saunders et al., 2012). The deductive approach emphasizes hypothesis testing to accept or reject the tested statement of facts. The deductive approach focuses more on theory in validating or revalidating. The inductive approach concentrates more on data collected and analysed to know and understand the patterns that emerge and then make statements and suggestions from it. This is good because it allowed me not to jump into hasty conclusions but rather base the assertion on findings. The inductive approach was the most suitable because it helped me to consider in-depth knowledge and perception of the insurance personnel about oil and gas insurance underwriting in Nigeria and the challenges of domesticating it, which formed the basis on which the solution and conclusions of this study were based.

In addition, this approach was to shed more light on understanding and interpreting the human behaviour and insurance practitioners' perception. The ultimate goal was to determine if the adoption of the Local Content Act has enhanced oil and gas underwriting in Nigeria or not. The inductive approach was applied in view of its considerable relevance.

3.4 Pilot Questionnaire

In using the questionnaire as a means of collecting data, I decided to carry out a prototype to have prior knowledge so as to envisage the likely modifications to the research and the challenges ahead. This provided me the opportunity to understand the perceptions of the respondents, the likely questions that were missing and needed modification or rephrasing to get reliable results. Pilot study is always a good idea for better assessment, and determination of the validity and reliability of the data to be collected during the study (Saunders et al., 2003).

In my pilot test, I decided to administer ten copies of the questionnaire to a select number of insurance companies within the Gbagada/Anthony area of Lagos, where my office is located, who were also involved in underwriting of oil and gas risks. The results from the test assisted me to slightly modify the draft questionnaire to what I finally administered (See Appendix 3).

3.5 The Philosophy Surrounding the Research

Costley, Elliott and Gibbs et al. (2011) argue that it is better that the researcher begins a work of this nature at the conceptual or philosophical level. This, I have set out to do. Furthermore, there are a set of ideas that are related in a way that are usually employed in explaining and predicting phenomena of interest. The research philosophies reflect the way the world really works with respect to reality and existing knowledge.

While seeking knowledge, I realized the need to see the way the insurance personnel perceive the insurance industry and the domestication of oil and gas underwriting in Nigeria. The research philosophy is divided into four, namely realism, positivism, interpretivism and pragmatism. The existence of reality about a subject matter focuses more on realism, while positivism reflects on the scientific manner that seeks to perform experiment to make assertions. The perception of nature as either being positive or truthful is pragmatism and interpretivism is concerned about the interaction between human behaviour and how the world works that is detective in nature (Kothari, 2004; Lagrosen, 2012).

There have been studies on Local Content Policy with respect to the manufacturing sectors and SMEs in Nigeria (Bakare, 2011; Ugwushi et al., 2009). It is important to restate that my research is novel in the insurance industry, as the available and accessible literature showed that there has not been any research in this area. This means that my philosophical approach to the work should be ontological, looking at what currently exists in this area of study and how I can come up with a solution to the challenges of the Nigerian insurance industry in implementing the Local Content Policy of the Nigerian government in insurance. To do this, I adopted mainly the experimental design (like Bakare, op cit.), as it is more appropriate, combining theoretical consideration with empirical observation. It enabled me to observe the effects of the explanatory variables on the dependent variables.

3.5.1 Research Paradigms

Guba and Lincoln (2005) identify the major research paradigms; I adopted the participatory paradigm. I chose the participatory paradigm, as it starts from the premise that reality and knowledge of reality are co-created from mutual understanding that arises from lived experience (Institute for Work Based Learning, Middlesex University, 2010). In this regard, there is need for the collaboration of all the relevant stakeholders in underwriting of oil and gas risk locally rather than in the current situation where the insurance of oil and gas risk is underwritten abroad.

3.6 The Epistemological, Value-based and Political Dimension to the Project

Epistemology refers to a theory of knowledge and contains two parts: a theory of knowledge and a theory of knowledge acquisition or creation "It refers to what is known and how it comes to be known". This knowledge could be derived from the relevant literature available from the past (McNiff and Whitehead, 2010).

The government is interested in promoting the philosophy surrounding the local content requirement, which is, in the insurance, Nigerian risks should be insured locally by Nigerian companies. In other words, the Nigerian insurance companies should develop the requisite capacity to underwrite risks emanating from the Nigerian environment.

The philosophy surrounding the project shows greatly that the project is value-based and will contribute to the growth of the Nigerian economy. For instance, if implemented fully, the local content philosophy will drive the employment of more professionals, especially with scientific background in the Nigerian insurance industry. Apart from employment, it will indirectly help develop the Nigerian market to be an insurance hub in the West African sub-region. The programme no doubt has a political dimension, as the whole idea behind the local content regime is that of the government of Nigeria.

The whole concept is in line with my belief that the Nigerian insurance market should be developed beyond what it is today. The insurance industry has not changed so much in practice from what the British left behind since independence in 1960. The products are still those which the practitioners have been selling since 1960. I think and believe that the local content derivatives of the government will go a long way in stimulating growth of practice in the Nigerian insurance industry.

3.7 Research Design

Research design is a vital component of research. It captures the procedures, approaches and techniques adopted in gathering, collecting, collating and analysing data (Grey, 2009). It gives clues towards the thinking and understanding about the data to be used as well as the necessary questions to be asked. The questions to be asked are expected to be measurable in nature. Also, it reveals the likely assumptions and how logical conclusions are arrived at. Some of the factors include the nature of the research, the kind of research problem that is being considered, the targeted population and the scale of the survey.

Bricolage, as noted by Costley, Elliott and Gibbs et al. (2011), is an approach to research that combines multiple perspectives and methodologies to gain a better understanding of real-world situations. I will provide answers to why a fundamental phenomenon happens in a way. I will employ exploratory research which gives me the build-up steps and procedures in carrying out this research and show how these guided me through to the final stages in which the conclusions were formed and generalized from other similar studies (Reynolds, 1971).

In addition, Kothari (2004) avers that research designs are an essential ingredient of research. The research design is the road map for carrying out a research operation to guarantee the efficiency and effectiveness of a research in terms of data, information, cost and timing. The research design used should be able to ensure and guarantee maximum output with least cost at the shortest available time frame.

I adopted questionnaire (See Appendix 3) as the major tool of collecting data to know and understand my colleagues' perception of Local Content Policy with respect to oil and gas underwriting in Nigeria. This was necessary because the Local Content Policy cannot be measured as a variable but can be quantified, and this might be the major reasons why there is scanty literature on it. The questionnaire is one of the most suitable means of collecting data because the questions in it are tailored towards data and information gathering (Calgary, 2006).

Furthermore, the cross-sectional procedure was used (in terms of time orientation, using responses from selected participants at a point in time). Also, I adopted the mixed method approach that allowed me to gather data through qualitative and quantitative means and then analysed the data in the context of my study subject. The merits inherent in a good research design are simplicity and flexibility; l took note of these in the choice of approach.

I also made use of focus group discussion (FGD) to enable me to carry out deliberations that would bring out answers to some of the research questions. I have also adopted more than one approach to bring out results that would reflect the actual solution needed for the Local Content challenges facing the Nigerian insurance industry. This is in line with the argument by Maykut and Morehouse (1994) Mason (1996) Marshall and Rossman (1999; 2006), that multiple methodologies are likely to produce a reliable outcome, with each serving as a check on others.

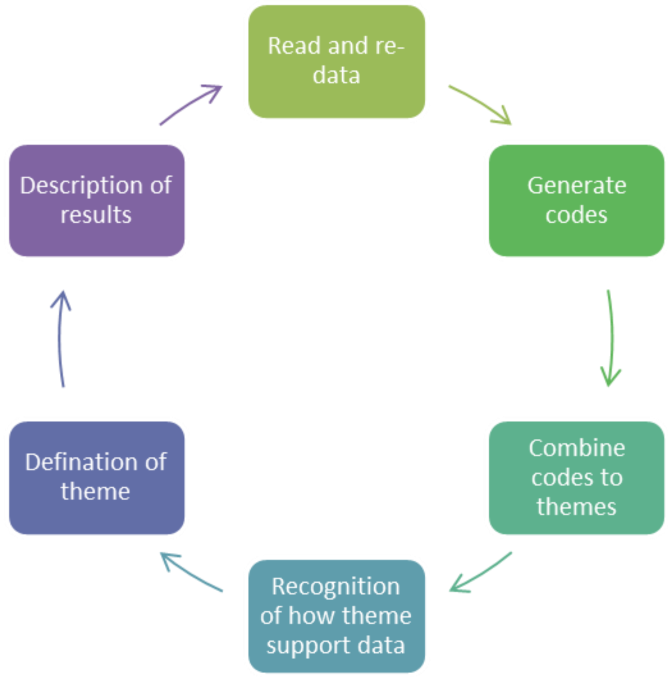
Besides, I used secondary data collection and survey method with the aim of generating sufficient data for my study. Survey research is perceived to be time consuming and expensive. Despite the lapses, surveys produce reliable and effective data and views of the respondents on a subject matter. Oral interview and other available documents or data on the insurance industry in Nigeria complemented the methods mentioned above.

3.8 Questionnaire/Interviews and Content Analysis

In this section, I will review the population sample, questionnaire and interviews for the research. I used questionnaires for the collection of data for the research from selected major players. I also used interviews, as earlier stated, for clarification purposes.

I used thematic analysis to analyse a section of the collected data. The strength of this process is that it allowed me to focus more on the questions from the questionnaire that were central to the research objectives. This made the analysis more specific to the identified research problem instead of being general in approach.

The idea of thematic analysis revolves around the identification, analysis, and presentation of patterns within the data (Braun and Clarke, 2006; Javadi and Zarea, 2016). This method allows the data to be categorised into themes with respect to the objectives of the study, which dwells so much on coding. The coding of themes allows for comparison of data frequency following the six phases suggested by Fugard and Potts (2015). These phases can be expressed in the diagram below, starting from data coding and paying attention to data.



Source: Fugard and Potts, 2015

In the course of administering and retrieving the questionnaire, I had discussions with colleagues in the industry about the subject matter. This was to form a recognised view about the objectives and envision how other practitioners see the challenges in the industry as well as the challenges inherent in the domestication of oil and gas underwriting in Nigeria. The thematic approach used was inductive analysis, which is strongly connected with the data. This is most appropriate because it uses qualitative data, which I used for my study, as against deductive analysis, which uses quantitative approaches (Ghiasvandian et al., 2014; Javadi and Zarea, 2016). From this, I realised that other insurance practitioners are curious to enlarge and increase their income earnings from oil and gas underwriting. This was reflected in the study through the socioeconomic indicators. The questionnaire administered was coded into the theme of the objectives.

3.8.1 Study Population

Population means the entire number of elements or members of a well-defined group of people that are resident at a place at every point in time (Kothari, 2004). There is the need to always declare the research population, which is meant to give restrictions to the individuals or groups of individuals to be covered in a study. This gives room for a wide scope and coverage area to the phenomenon being considered (Compton and Nankervis, 1998). The population for my research consisted of the insurance practitioners in Nigeria. According to the National Insurance Commission (2016), there are 38,754 workers, with 4,026 being qualified practitioners in the industry.

In research, the population is always well defined, but capturing the entire population is difficult. This necessitates the need to consider two likely perspectives, namely target and accessible populations. The target population is all the members of a definite group to which the investigation relates, whereas the accessible population is defined in terms of those elements in the group within reach of the researcher (Kothari, 2004). Insurance practitioners in Nigeria were the population for this research and the companies that receive or participate in oil and gas underwriting were given priorities as the target population based on the objectives of this research. For this reason, practitioners in Lagos, which could be estimated to be about 2,500, were my accessible population.

The target population for this study comprises of the insurance companies and personnel in the insurance sector that earns, receives or underwrites risks for the oil and gas industry in Nigeria. The target population was 250 practitioners who worked in companies that underwrite, regulate and are involved in oil and gas risks. They formed the case study for my research.

3.8.2 Sample Size and Sampling Technique

In most studies it is always impossible to capture the entire population. Time as well as financial and resource constraints have made it necessary to work with samples. The process of considering a share or proportion of the entire population to make inferences about the sample that can be generalized to the population is regarded as sampling (Grey, 2009). This basis is expected to be correct and valid if the sample to be drawn is a true reflection of the entire population. It does not really matter whether the population is homogenous or heterogeneous. The sample can be drawn through personal observation, interview and administered questionnaire to the target study population (Gray, 2009). On the other hand, sampling techniques focuses on the method applied to obtain the sample from the population, which can either be through random sampling or non-random sampling techniques (Compton and Nankervis, 1998).

In November 2015, the licensed insurance companies in Nigeria were 58; with 36 insurance companies underwriting oil and gas risks as at December 2013, with about 38,754 employees (National Insurance Commission, 2016). From observations, there have been no substantial changes in this figure. It is only general insurance companies that can provide insurance covers for oil and gas risks; hence, life insurance companies are excluded from the research.

Thus, I drew the sample for the survey from the employees of the general division of the Nigerian insurance industry, having in mind the need to have a true reflection of the entire population. Purposive sampling, which focuses on stakeholders in the insurance industry, was an additional sampling technique adopted for my study. Thus, thirty-six (36) direct insurance companies, two (2) re-insurance companies, two (2) regulatory agencies that supervise the operations of the players within the insurance industry and six (6) leading insurance brokers were selected for the project. The companies selected were among the first thirty-six oil-underwriting companies (Nigerian Insurers Association, 2013). The reinsurance companies in Nigeria are the Continental Reinsurance Plc. and Nigeria Reinsurance Corporation.

The criteria for selections were

i. number of employees/staff in the oil and gas department;
ii. number of years that the company started underwriting oil and gas risks;
iii. premium income generated from oil and gas insurance;
iv. type of reinsurance facility in place, both local and foreign;
v. how long the Chief Executive of the company has been leading such a company;
vi. ranking in the insurance association in terms of oil and gas premium income;
vii. number and level of patronage from *oil majors*, both local and foreign;
viii. extent of participation in onshore and offshore risks;
ix. data from the National Insurance Commission (regulatory authority) on information of approvals given to continue as an underwriter in oil and gas; and
x. with insurance brokers, what level of participation they enjoy from *oil majors.*

This selection method was meant to include the views of the major operators in the industry who were involved in oil and gas insurance.

Overall, I administered 250 copies of the questionnaire to the participants through the Nigerian Insurers Association. This assisted me to reach out to large number of respondents within a lesser time frame and with relative cost effectiveness.

3.8.3 Research Instruments

My primary data were collected from the respondents via questionnaire (See Appendix 3) to selected participants, and also used telephone as a method of interview. I participated in deliberations by technical committees of the industry on the subject, in the form of focus group discussions. I also gathered relevant works from dissertations, conferences and seminar papers, as well as online resources, periodicals and series of journals/textbooks as my secondary sources of data.

The survey questionnaire which l administered was divided into two sections: Section A: Socio-economic characteristics of the respondent; and Section (B): Questions relating to the research questions (see appendix 3).

3.8.4 Questionnaire Design

The contents of the questionnaire reflected different aspects of the project, including knowledge and benefits from the Local Content Policy, and the insurance industry. Some of the 50 items included in the questionnaire are produced below:

vi. In what ways do you feel that the insurance companies need to increase their underwriting capacities in oil and gas?

vii. In what ways has the Local Content Act been beneficial to the insurance industry and the Nigerian economy?

viii. How will you rate the effort of the regulators in ensuring the implementation of the Local Content Act?

ix. How has local content been viable in assisting the Nigerian insurance companies in underwriting oil and gas risk?

(Refer to the Appendix 3 for the complete items for the questionnaire.)

I subjected the data collected from the administration of the questionnaire to both qualitative and quantitative analyses. The questionnaire was both open-ended and closed-ended. I adopted the use of questionnaire for my study due to the inherent advantages, which include convenience on the part of the respondents, larger and wider coverage areas, reaching respondents within very short time, and maximizing time and resources. The insurance practitioners were familiar with research; therefore, it was very easy to seek their support in completing my questionnaire.

3.8.5 Interview

Another survey instrument that I used was interview. It was a means by which I had contacts with the respondents. Interview is an oral interaction in the form of questioning and answering. This enabled me to get data directly from the participants at a faster rate. I carried out the interview in a semi-structured manner, based on interview guides in research (Punch, 1998).

The process of interviewing began when I sought the interviewees' consent. The process was used to further clarify concepts that might be confusing to the participants. I got the involvement of regulators such as the National Insurance Commission and the Nigerian Content Development and Monitoring Board Office, whose offices are outside Lagos.

3.8.6 Other Instruments

Other instruments that I used in the research are discussed in this section.

Underwriting Documents

Underwriting documents in the technical departments include policy endorsements, underwriting manuals and guides. These were employed and analysed to observe the trend of underwriting in the oil and gas department for the purposes of observing the impact of the Local Content Policy on oil and gas portfolio, especially in the insurance industry. The results for the current year were compared with previous years.

Focus Group Discussions

Focus group discussions were held with experts from the Marine Office Committee of the Nigerian Insurers Association, which is the technical committee in the Nigerian market currently responsible for oil and gas risks. The focus was on how to improve oil and gas underwriting and how to develop capacity in oil and gas insurance underwriting. In the process of these interactions, data were collected and recorded, and comments taken.

3.9 Limitations of the Methodology

I encountered some limitations in carrying out this research, especially in data collection. In a research of this nature, most participants normally like to provide responses that suit what they feel the researcher wants to know, which may not meet the essence of carrying out the research. To authenticate the data, I had to conduct follow-up interview with some of the participants impromptu on some of the questions on phone and cross-checked the responses. I did this to ensure that the responses from the interviews correlated with those from the questionnaire.

Scarcity of published statistical data and literature on the subject in Nigeria posed some challenges to me during the work. To overcome this, I used my relationship to obtain the primary data as main sources for review from the various stakeholders as well as other data published.

3.10 Ethical Consideration

Ethical consideration is vital in writing a work-based research (Ransome, 2013). This is because there would always be people whose permission should be sought before the information pertaining to them is used for such a research. These people could be the researcher's colleagues in the office, professional colleagues and other relevant stakeholders.

To carry out this research, I had to write to some of the stakeholders to ask for permission to use primary data from them, starting from my company, Regency Alliance Insurance Plc. (See Appendix 8), Marine Office Committee of the Nigerian Insurers Association (personal visits to the Committee's meetings), National Insurance Commission (See Appendices 6, 7, 9 and 10) and Nigerian Content Development and Monitoring Board (personal visit).

When research activities affect others, such as participants and other researchers, it is important to consider the need to go by laid-down standards in the discipline, mostly stated as ethics. In modern-day research, ethical consideration is identified to be an important issue that might affect a research. Once the research involves interaction with business or groups of individuals (Ransome, 2013) that serve as participants, ethical consideration is vital. The human interaction or intervention cuts across diverse activities in gathering or collecting data or information for research. These activities include review of corporate records, interviews, surveys, oral histories, focus groups and observing people's behaviour. This is done to secure and protect the researcher, supervisors, participants and all other entities against litigation and violating good practices in the process of carrying out the research (Bulmer, 1982; Sieber, 1982; Homan, 1991).

Belmont (1974) asserts that the three essential ethical virtues that must be considered in research that involves human subjects are the respect for persons or participants that are going to be used or answer interviews or the questionnaire which serves as source of data and information to be used for the research, beneficence and justice. Beneficence concerns the kindness that is rendered to the researcher during the research to ensure that the data and information supplied are not biased or sentimental. Respect for persons suggests that the researcher must ensure that the participants have a full knowledge of the study, the risks, the benefits and the options available to them to ask questions on the subject matter. Here, the individuals are given autonomy to participate or decline participation in the research.

In this regard, I ensured that all the participants were aware and had full disclosure about the research, particularly with regard to enhancing the domestic insurance industry's involvement in the oil and gas sector in Nigeria. Also, I explained to participants that the data and information provided would be treated with upmost confidentiality and that it would aid addressing the objectives of the study. As stakeholders in the industry, their views and opinions would mirror how insurance affects the oil and gas sector, how the adoption of the Local Content Policy has changed the face of the insurance sector in Nigeria, most especially the oil and gas sector. The participants were made to be aware that the findings of this research might come up with recommendations and policies that would be beneficial to the insurance industry if accepted by the regulatory institutions in Nigeria. In addition, the participants were selected in equity, with fair treatment given to all without exerting pressure or burden unduly. It was strongly suggested that participants should be objective in their responses and views without being biased to have true picture of situation in the insurance market.

As Blaxter et al. (2000) observe, research ethics are about being clear on the nature of the agreement you have entered with participants or contacts. To start with, letters of consent were sent to relevant stakeholders before data collection. The intention was to seek their consent and clarify any confusion that they might have and assure them of confidentiality with respect to their role in the study. Among those written to were National Insurance Commission, Abuja; Nigerian Content Development and Monitoring Board and my organization, Regency Alliance Insurance Plc., where primary data for the project were collected for analysis.

Blaxter et al. (2001) observe that ethical research involves getting the consent of those to be interviewed, questioned, observed or take materials from. That is, it requires that an agreement is reached regarding how data would be presented, whether their names would be mentioned in the study or not, whether they would benefit from the study in anyway. Sometimes, it is important to provide a realistic preview of whether there are any dangers involved in the study they are taking part in. In line with European Council of the Liberal Profession (2000) and British Psychology Society (2009), very important aspects of ethics in research usually reflect the need to respect, indicate the usefulness of confidentiality, competence of the researcher, key responsibility of both the researcher and the respondents, and the need for integrity during conducting the study. Information received from participants are intended to be used for purposes of this research only; and the researcher would have to seek their consent before releasing same to other users upon request.

This study would benefit the Nigerian insurance industry tremendously. Despite this future benefit, there was no need for any contractual obligations on operators in the industry to contribute or pay any sum of money; this project was carried out to assist the industry overcome its challenges in developing local capacity to underwrite oil and gas risks. There is a statute: the Nigerian Content Development and Monitoring Board Act 2010 that helped support trust/confidence in the local market to carry out the policy effectively.

To get the consent of the prospective participants, particularly in respect of interviews, emails were sent to them requesting their participation in the research. The Chartered Insurance Institute of Nigeria has a database of members' emails, which I sought to use; I approached the Institute for the emails of the prospective participants to enable me to communicate with those I could not contact on one-on-one basis. This was followed up with telephone interview to provide a brief introduction of the rationale for the project, as well as get their consent to participate. Most effective was the Nigeria Insurers Association, to which all insurance companies belong, for ease of distributing the questionnaire.

In summary, actions taken are highlighted below:

- All the participants were informed of the purpose of the project before sending the questionnaire to them;
- The participants were informed that they had a right to decline not to participate if they so desired (See Appendix 3);
- The participants who responded to the questionnaire were informed that they had two weeks to complete and return the questionnaire (See Appendix 3), while those who took part in the focus group discussion were informed at a meeting with members and they endorsed the idea;
- The participants were informed of the procedures to be followed in the data collection exercise;
- The participants were informed of the benefits of the research, that it would contribute to the development of the Nigerian insurance industry in general;

- The participants were informed of the confidentiality of the information which they would provide;

vii. the participants were informed of their right to opt out of the exercise any time if they so desired.

At the end of the data collection exercise, it was only those that were willing to participate who completed the questionnaire, granted interviews, and took part in the focus group discussions.

3.10.1 Ethics in the Insurance Industry in Nigeria –NAICOM Guidelines

Apart from global ethics for commercial transactions in practice, there are ethics relating to insurance industry in Nigeria given by the Market Conduct and Business Practice Guidelines (See Appendix 4). In 1991, the industry gave itself a code of practice whose contracts are presented below:

i. Premium Collections, Remittances and Returns

Insurance institutions shall ensure full compliance with the Insurance Act 2003 in accordance with section 50 provisions to perform the following:

i. That all insured assets and properties shall be recorded in the insurance books with full payment of the premium whereas outstanding cover granted cannot be recognized.
ii. That the insurance practitioners should follow laid-down practice while protecting the interest of all stakeholders without violating their rules and regulations.
iii. The insurance policy which provides that “no premium no cover” basis should be strictly adhered to. That is, the insurance policy only covers only assets and properties that full payment is made by a duly license insurance

broker. If the full payment of insurance premium is not made by law the insured assets and properties is not recognized and remain void. However, any insurer/broker that indulge in such activities is liable to penalty of between 1 and 10 times the premium subject to a minimum of ₦500,000 in respect of each cover so granted. Also, the insurer/broker stands the chances of losing his/her license and even being suspended.

ii. NAICOM Relations Officer

The NAICOM Relationship Officer (NRO) who shall report directly to the Chief Executive Officer shall be at liberty to report to the Commission any observations or conducts which are inconsistent with the statutory provisions and/or standard practice within the insurance industry.

iii. Appointment of Compliance Officer

All Insurers and Re-insurers shall appoint a Compliance Officer not below the rank of Assistant General Manager who shall be responsible for monitoring and ensuring compliance with all anti-money laundering laws, regulations and guidelines.

iv. Complaints and Dispute Resolution

Each insurance institution shall establish well-documented policies, procedures and processes for complaint and dispute management to ensure, as far as possible, that such situations are resolved promptly and fairly.

(a) Acknowledgement of receipt of the complaint within 2 2 working days from the receipt of correspondence.

(b) Details of how the complainants will be kept informed of the status of their complaint;

(c) Provisions for Arbitration Clause in the policy document. It shall be noted that the Arbitrator shall not be:

i. a former employee of the insurer/intermediary;

ii. simultaneously perform other functions which could affect their independence; and

iii. subjected to unnecessary influence or instruction from the insurers/intermediaries.

(d) Information to complainants on how and when to resort to the market's dispute resolution mechanism and ultimately the Commission's Complaints Bureau as an alternative dispute resolution mechanism or litigation;

(e) Establishment of the time line for sending a final response in writing to the complainant; and

(f) Keeping record of each complaint received and the measures taken for its resolution.

v. Insurance Institutions

(a) Shall ensure that any documents issued, complies with all statutory or regulatory requirements that may be issued from time to time;

(b) Shall ensure that the policy documents are issued to the insured without delay;

(c) Shall ensure that the policy document/documentation is read carefully by client.

In addition, for Personal Information Protection, an insurance institution shall:

(a) provide necessary training to their employees at all levels of the organization to promote awareness of privacy protection requirements.

Rates Filing

(e) An Insurer shall submit to the Commission a list of the minimum rates applicable to all classes of business (other than compulsory insurances) on or before 1st of December of the preceding year. The insurer may commence usage of the rates after thirty (30) days of submission if the Commission does not object or require further clarification.

(f) An insurer is required to file any subsequent changes in the rates earlier submitted not later than one month prior to usage.

(g) For the initial date of submission, the referred in (a) above shall be 30 days from the effective date of this guidelines.

vi. Remuneration and/or Commission and Its Associated Returns

It shall be illegal for any Insurance Institution to solicit, offer or allow commissions and/or rebates in the transaction of Insurance Businesses except as provided by the extant Insurance Regulations. For the avoidance of doubts, Over-Riding Commission, Business Acquisition fees and other similar fees not provided for by the Nigerian Insurance Laws shall not be solicited, deducted, offered or paid in any form in respect of any insurance transaction in Nigeria.

The above shows some of the ethical standards provided for practitioners in the Nigerian insurance industry. Failure to comply with such could lead to sanctions from the regulator –NAICOM.

3.11 Data reliability

In research, data reliability is important because the data would be analysed, and logical conclusions and recommendations will be made from it. Once the data used cannot be guaranteed, the problem of credibility towards the findings and outcome of the study arise. In view of this, I asked some probing questions to get some feedback from the participants on the focus of my research. This was intended to help me in the overall evaluation and to give me deep understanding on the subject. The information sourced complemented the conceptual issues investigated in this study.

Saunders et al. (2007) note that the reliability and consistency of the data gathered, collected and analyzed prevent reaching fallacious decisions and conclusions. At some points I had to modify the research instrument. For instance, I intended to use the online survey platform (survey monkey), but because of the challenges of constant electricity and Internet access by the respondents, I was forced to adopt the paper format.

Data analysis entails subjecting the data collected to some tests to have a better understanding to arrive at conclusions that might be generalized, accepted or refuted. The process of comparing the theoretical perceptive with the results generated is referred to as a priori expectation (Kothari, 2004) and this is key in any research. So, it is easier to tell if the likely outcome conforms or not and the necessary things to check so as to make necessary adjustment. In addition, descriptive statistics which l employed gave the overall picture of the data and information in the research and clues on the most suitable approach for the study.

I determined the validity of the instruments through telephone interview to some of the respondents. Reliability is the extent to which an instrument is consistent in measurement of variables. For the purposes of this study, a pilot study was conducted to validate the instruments, and to establish the reliability before using it for the main study. The Cronbach’s Alpha for the overall scale was 0.76, indicating a strong internal consistency among items, showing that they contribute towards describing the construct in this study. The individual alpha levels (α) for the subscales are reported in Table 3.2:

Table 3.2: Reliability and Descriptive Statistics of Key Study Variables

Variable	Mean	Standard Deviation	Cronbach's α
Knowledge of Local Content Act	1.6	.89	.78
Stakeholder's Readiness to Underwrite Risks	1.4	.54	.79
Compliance with Regulation	3.2	.44	.82
Capital Flight	1.8	.83	.81
Increased Capacity to Underwrite	1.8	.83	.79

Source: Extraction from SPSS output, 2015

Table 3.2 displays the means and standard deviations of the study variables. The means for "Knowledge of Local Content Act", "Stakeholder's Readiness to Underwrite Risks' and "Compliance with Regulation" were 1.6 (SD=.89), 1.4 (SD=.54) and 3.2 (SD=.44), respectively. The rest means were "Capital Flight" 1.8 (SD=.83) and "Increased Capacity to Underwrite" 1.8 (SD=.83). I also determined the reliability values of the various scales by calculating the Cronbach Alpha (α) for each main construct. I found that the values were significantly strong, indicating high internal consistency in the way respondents dealt with the individual question items in the study.

3.12 Research Procedure

In addition to the questionnaire, interview, examination of underwriting documents, and focus group discussions were also employed. This was because of the bricolage nature of the research. Bricolage, according to Costley, Elliott and Gibbs et al. (op cit), is an approach to research that combines multiple perspectives and methodologies to gain a better understanding of real-world situation.

In carrying out this research, I administered 250 copies of the questionnaire to insurance practitioners, especially those whose job activities connect with the oil and gas insurance in the Nigerian market. These were distributed through the

Nigeria Insurance Association at their meeting. Others were distributed through their internal mailing system, which got to all members. I found this easier and very convenient. This is our umbrella association, to which all registered insurance companies are members. Of the administered copies of the questionnaire, 218 were fully completed by the participants. Series of activities were undertaken during this study. These are presented in the sub-sections that follow.

Activity1: Observations

I collected the data for the research for six months in 2013. This involved distribution of questionnaire to participants through the Nigeria Insurers Association. A structured questionnaire was used in data collection (See Appendix 1). This helped in gathering a lot of information in a uniform pattern. However, where I felt there was need for clarification I used personal interviews. The responses gathered from the activities formed the data which were analysed.

Activity 2: Letters to Stakeholders

I wrote to the National Insurance Commission (See Appendices 7, 9 and 10) and the Nigeria Insurers Association (See Appendix 12) requesting data on the premium incomes on oil and gas insurance over the past five years as well as their publications, both past and present. I also visited the Nigeria Insurers Association office to obtain some publications: *Nigeria Insurance Digest* (2012 - 2015) which contained the data needed for the study. Letters were also sent to the Nigerian Content Development and Monitoring Board Office in Yenegoa, Bayelsa State, Nigeria for similar reasons. I interacted with the Marine Office Committee of the Nigeria Insurers Association on the implementation of the Local Content Policy and oil and gas insurance challenges generally in Nigeria through attending their meetings and organizing a workshop on the subject.

Activity 3: Focus Groups

One of the approaches adopted was the use of focus groups, to enable a wider view of the research and to register a more reflective observation for the research. The participants of the focus groups included members of the Marine Office Committee, which is the technical committee in charge of oil and gas in Nigeria. In addition, I attended some of the Committee's meetings, which were held once in a month, and engaged members in the challenges of the insurance sector generally and how these affect domestication, particularly in the oil and gas sector. Issues relating to the outcome of the workshop and, by extension, the Local Content Policy were deliberated. Some of the responses to questionnaire administered to insurance practitioners guided the discussions by members of this Committee.

I also accompanied my company's representative to the Marine Office Committee meetings occasionally, through which I opened the channel for discussions on the challenges of the Local Content Policy and how we could share ideas to ensure that most companies in the market benefit from the policy. It was an interesting experience for me as I had never been part of the Committee before then and the members were also excited that a top management officer at the level of Executive Director could attend their meetings and participate in their deliberations.

Activity 4: Research Diary

I created a research diary to keep some of the information I felt would be useful during this research. This diary was different from my usual diary as a business professional. This diary helped me to keep up-to-date all relevant research activities. It also served as a source of reflections while carrying out the research. In the diary were recorded conversations between me and other stakeholders on the subject in line with the ethical requirements of a project of this nature and booking of appointments with relevant officers. The research diary served as a supplementary source to other sources of data for the project. For instance, it was used for recording of hints and insights that were useful for the project, and observations made about the behaviour of the participants in the research, especially their enthusiasm about the project. The guidelines in Regulator's Act – National Insurance Commission –I also discussed with practitioners on their relevance to professional practice in Nigeria.

The use of the research diary was based on Schön's (1991) argument that it should serve reflection purposes. Blaxter et al. (2001) note that such a diary should be restricted to observational notes, methodological notes and analytical memos. The entry in the diary never followed any pattern; important information was written as and when it happened, and when there was the need. This pattern helped put down useful information.

3.13 Operational Issues

I encountered some operational issues while carrying out the research, especially in collecting completed questionnaire to readdress omitted areas from the practitioner-participants. Most of the respondents were very busy; therefore, to get them to complete the questionnaire within a short time was a problem. There were even cases where some copies of the questionnaire were returned for re-completion.

Regarding the interviews, my tape recorders initially proved challenging; but this was resolved using cell phone memory to record the interviews. However, transcription took a longer time because some of the voices were not audible enough. This notwithstanding, the content was clearly retrieved and supplemented with the hand-written notes I took during the interviews.

3.14 Consideration of My Role as an Insurance Practitioner

In carrying out the research, I was conscious of my role as an insurance practitioner whose job description involves business development in Nigeria, including oil and gas business. I also reflected on the ethical consideration while carrying out the project, especially the confidentiality of the respondents. Specifically, I ensured that my personal opinions did not affect the outcome of the work either in the form of the questionnaire or the selection of the sample for the research from the research population. I used the informed consent approach to get participants who were knowledgeable in the subject matter of the research, in line with Davis' (2008) premise.

3.15 Summary

In this chapter I explained and described the processes adopted to gather and collect data for my study as well as the necessary precautions I took while carrying out this study. I have fully discussed the methods and approaches adopted for this research, in addition to defining some terms for clarity purposes, such as sample size and population.

The next chapter deals with analysis of all data collected. It also presents the results from the analysis.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1. Introduction

In this section, I present the data analysed and the results generated from the results and responses collected from the administered questionnaire. Then, I subjected these data to analysis with respect to the objectives that I stated earlier in chapter one. How has the introduction of Local Content Policy influenced domestic insurance participation in oil and gas insurance underwriting? As mentioned in the previous chapter, I employed the descriptive analysis and thematic analysis through SPSS (version 23) as an estimating tool. The results are expressed and displayed in tables and percentages and discussed extensively.

4.2. My Early Antecedents

This section is to document some of my encounters in carrying out this project, most especially the aspect that concerns data gathering and collection. I continued the project in 2013 having completed the DPS 4561 programme.

I must note that a research of this nature affects some stakeholders that I have to collaborate with in order to effectively carry out the research. In this regard, I had to write to some of these stakeholders informing them of my research intention and seeking their cooperation.

I wrote to the National Insurance Commission. In its reply, the Commission recommended some of the books that they felt I should consult in carrying out my research. In a similar way, I wrote officially to my company, Regency Alliance Insurance Plc. about the project and permission to use some of the company's data for the research.

I equally wrote to the Nigerian Content Development and Monitoring Board, which is central to my research activities. After two months I did not get any response to my letter, I decided to personally visit its office in Yenegoa, Balyesa State, south-south of Nigeria. The officials I met were enthusiastic about my project and gave me some of the Board's official publications on the Local Content Policy.

It is important to note here that in carrying out research in a developing country, like Nigeria, the officials may be secretive and unwilling to release sensitive data. What they may be willing to give out are the officially published data, which may come out in the form of pamphlets or any other official publications. This shows the nature of the research environment that operates in Nigeria and the challenges in carrying out a social science or work-based research of this nature. Nevertheless, I agree with Blaxter et al. that ethical research involves getting the consent of those you are going to interview, question, observe or take materials from. Also, "it involves reaching agreements about the use of data, and how its analysis will be reported and disseminated." It is important to keep to such agreements when they have been reached.

My first attempt in collecting data on the project was when I wrote to the Nigerian Insurers Association to inform it of my project and I was referred to its Marine Office Committee, which is responsible for oil and gas matters for the Association. I then wrote to the Chairman of the Committee through my company's representative, seeking their cooperation and permission to attend their meetings. While attending their meetings, I was able to stimulate their interest on the local content regime and its impact on the Nigerian insurance industry. On 7th August 2013, I sponsored the Committee's one-day workshop on Local Content Policy and the Nigerian insurance industry. We invited the Director General of NCDMB, and other experts to talk to us on the project. This was an interesting outing for members of the Committee.

With respect to my company, especially my directorate responsible for business development, we had in-house training on oil and gas insurance. It was useful to the members in enhancing their capacity to understand and appreciate oil and gas risks.

At the beginning of the project, I opened a diary for the research, which I did not keep vigorously the way I should have done. However, the saving grace was that my research data did not depend totally on data from my research entries but from interviews, personal observation, extract from my company records and data from the completed questionnaire.

4.2 Data Analysis

4.2.1 Descriptive Analysis

This section considered the series of data that has to do with various insurance incomes that have accrued to the insurance companies in Nigeria, with emphasis on the oil and gas premium earned by the domestic insurance companies. This is necessary to determine the share of oil and gas premium income earned by the sector. This is displayed in Table 4.1 and Figure 4.1. It is obvious that the share of oil and gas premium income started in 2006 in Nigeria. When I discovered this, I was worried that since the advent and production of oil and gas in Nigeria, most of the insurance proceeds had been ceded to foreign insurance companies. This situation informed the research question: “What has been the trend of the oil and gas premium in the overall insurance sector income in Nigeria?” To resolve this and provide answers, the share of oil and gas income premium was computed. Table 4.1 below shows the monetary values of premium earned by the domestic insurance companies in the period 2004 to 2013 based on classes of business. This provided insight into how oil and gas insurance is still not a major contributor to the industry's gross premium income, compared to the performance of other classes of insurance even though oil and gas constitute a huge share of Nigeria's export and revenue. This suggests that the domestic insurance companies were not having a stake in oil and gas activities in Nigeria. This showed the level of capital flight in the oil gas sector in Nigeria.

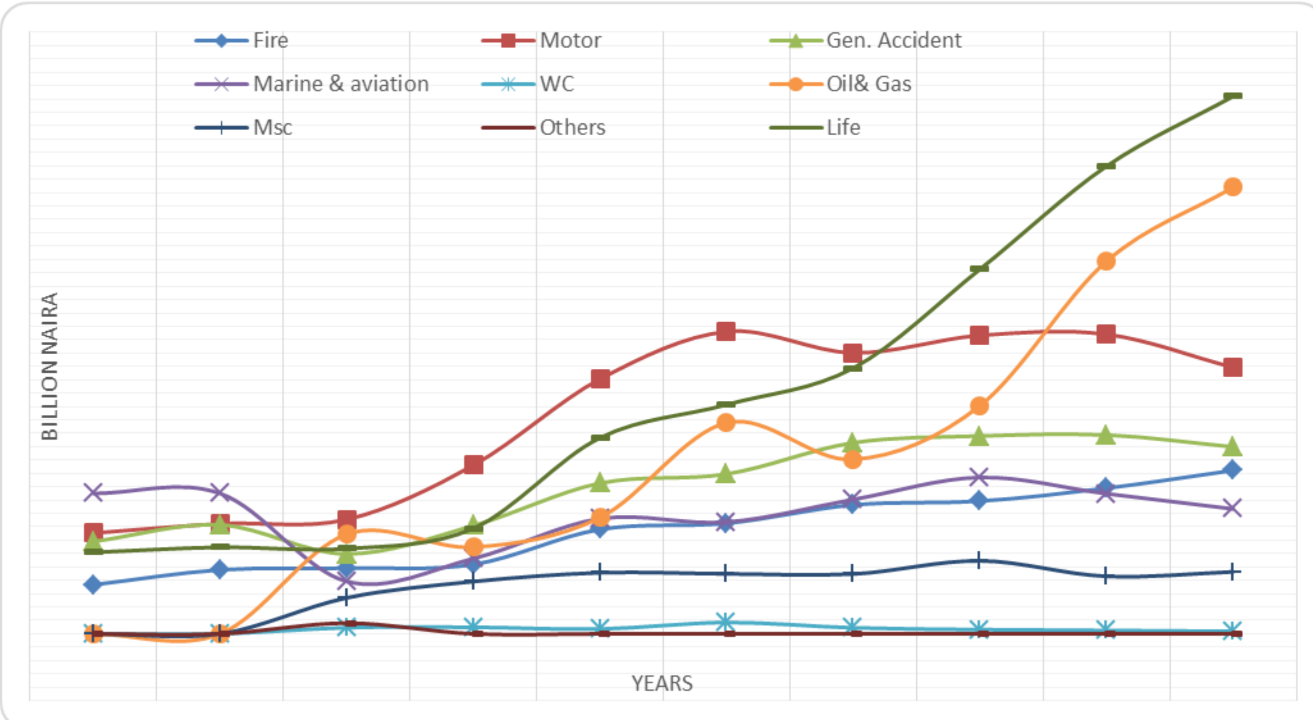
Table 4.1: Gross Premium Earned by Business Class Category from 2004-2013(₦ Billions)

Year	Fire	Motor	Gen. Accident	Marine & aviation	WC	Oil& Gas*	MSc	Others	Life	Total
2004	7.34	15.07	13.82	20.99	0.00	0.00	0.00	0.00	12.19	69.41
2005	9.58	16.48	16.31	21.01	0.00	0.00	0.00	0.00	12.94	76.33
2006	9.82	17.11	11.95	7.84	0.92	14.91	5.39	1.61	12.74	82.29
2007	10.38	25.22	16.19	11.26	0.98	12.98	7.82	0.00	15.78	100.62
2008	15.62	38.12	22.54	17.23	0.72	17.40	9.14	0.00	29.33	150.09
2009	16.54	45.22	23.91	16.73	1.70	31.58	8.98	0.00	34.29	178.95
2010	19.29	42.04	28.59	20.10	0.90	26.09	8.95	0.00	39.76	185.72
2011	19.86	44.65	29.59	23.40	0.63	34.12	10.93	0.00	54.55	217.75
2012	21.79	44.81	29.75	20.97	0.50	55.75	8.60	0.00	69.97	252.14
2013	24.45	39.85	27.98	18.69	0.37	66.81	9.27	0.00	80.42	267.84

Source: *Nigeria Insurance Assurance Digest*, 2013

Table 4.1 above displays the trend in gross premium earned by different classes of insurance in the industry. All the classes were experiencing an upward movement over time, which brought about an increase in both life and non-life premium. Oil and gas insurance constituted a huge part to the non-life premium. This reflected in the total premium earned by the insurance sector. However, most of the oil and gas insurance premium were equally paid out through reinsurance to foreign companies. I decided to look at the share of the oil and gas premium in relation to that of non-life business. Table 4.1 is replicated in a chart format to better understand the path of the non-life component in Nigeria. This is shown below in Fig 4.1.

Figure 4.1: **Trend of the Non-Life Insurance Component in Nigeria between 2003 and 2013**



Source: Author's computation, 2015

I noticed a drastic change between the era in which Local Content Policy was not in existence and when it was adopted. It is noticeable that, after the adoption of Local Content Act in 2010, the oil and gas income of operators and the industry revenue increased drastically. Although the oil and gas income, along with its corresponding share to non-life and total premium, declined in 2010 when the Act was introduced, the share of oil and gas to non-life and total income earned increased from 17.9 % and 14.1% in 2010 to 21% and 15.7% in 2011, respectively.

Figure 4.1 suggests that there was decline in the contribution being made to the industry by oil and gas contrary to the belief in the Nigerian market as at the end of

2011. This, in relation to my study, has revealed that the emergence of the oil and gas premium income has raised the overall income accrued to the domestic insurance industry. This has attested to the fact that the adoption of Local Content Act has influenced the share of oil and gas income premium in a way. This argument is supported by the claim by the Commissioner for Insurance that the country has witnessed a significant level of increase in the oil and gas income in recent times, thereby raising the contribution of oil and gas towards insurance in Nigeria.

Table 4.2: % of Oil and Gas to Total Industry Non-Life Gross Premium Income 2006 - 2011

YEAR	Oil& Gas (₦ billion)	Non-life (₦ billion)	Total Premium (₦ billion)	Share of Oil & Gas to Non-life (%)	Share of Oil & Gas to Total (%)
2004	0.00	57.22	69.41	0.00	0.00
2005	0.00	63.38	76.33	0.00	0.00
2006	14.91	69.55	82.29	21.44	18.12
2007	12.98	84.84	100.62	15.30	12.90
2008	17.40	120.76	150.09	14.41	11.59
2009	31.58	144.65	178.95	21.83	17.65
2010	26.09	145.96	185.72	17.88	14.05
2011	34.12	163.19	217.75	20.91	15.67
2012	55.75	182.17	252.14	30.60	22.11
2013	66.81	187.42	267.84	35.65	24.95

Source: *Nigeria Insurance Digest*, 2013

As seen in the analysis above, although the income revenue that accrued from oil and gas to domestic insurance companies was still small, it can be increased as the regulatory institutions, and oil and gas companies buy more into the Local Content Policy. In addition, the rise in the share of oil and gas income might also be linked to the high prices of crude oil. This argument might be said to be true because one of the risks that have been faced by the oil and gas industry is the market price.

This might be responsible for what the oil and gas companies are facing in recent times. The price of crude has continued to decline, which has slowed down operations of the companies and other associated costs of which insurance is part of.

Lastly, I perceive that most of the oil and gas companies are risk-averse, which makes them to engage in risks transfer in the form of insurance, either domestically or internationally. Insurance is an essential product for this volatile and highly capital-intensive sector. This analysis part has helped to shed more light on the share of oil and gas premium income over the years by domestic insurance companies. Therefore, I can conclude that, as the oil and gas premium income increases, it tends to reposition and give more prominent role to domestic insurance companies, making them to benefit more from the Act.

This argument has helped me to provide answers to objective one of my study. I have shown the share and trend on oil and gas industry in the Nigerian insurance sector over time. The other objectives are through the administered questionnaire. These are well addressed in the next section of this study.

4.4 Results from Questionnaire Analysis

This section captures the outcome from the questionnaire administered. The views of the practitioners are presented and analysed with respect to the themes of my study. The result based on the analysis that was carried out using the SPSS statistical tool is presented below.

4.4.1 Participants' Characteristics

In this part, I considered the socio-economic characteristics of the practitioners (respondents) that filled the administered questionnaire. These characteristics cover questions 1 to 6 of the questionnaire. The socio-economic traits of the respondents are fundamental, as they reflect the features of the participants involved in this study. In addition, sometimes these traits can influence and affect the overall outcome of the study; thus, it is important to take them into consideration. I was careful in the course of administering the questionnaire to protect the identities of the respondents by not allowing the practitioners to indicate their names and organizations. The socio-economic characteristics considered were gender, age, and years of experience in insurance

Socio-economic Data

i. Sex of the Respondents

Table 4.3: Gender of the Respondents

Respondents' Sex

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Female	98	45.0	45.0	45.0
	Male	120	55.0	55.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

Table 4.3 reveals the sex of the insurance practitioners that participated in the study. Among the 218 practitioners that participated, 120 were males and 98 were females, representing 55% and 45%, respectively. This suggests that the insurance industry in Nigeria is male-dominated. This might mean that males are more attracted to the insurance profession than females.

The age ranges of the practitioners are displayed in Table 4.4.

ii. Age of the respondents

Table 4.4: Age of the Participants

Age of Respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Below 30	12	5.5	5.5	5.5
	30-40	32	14.7	14.7	20.2
	41-45	85	38.9	38.9	59.1
	46-50	45	20.6	20.6	79.7
	51 and above	44	20.2	20.2	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Table 4.4 reveals the age groups of the practitioners (respondents). The age group 41-45 years had the highest frequency of 85 practitioners, accounting for about 38.9% of the respondents. This was followed by the age group of 46-50, then 51 and above with 45(20.6%) and 44 (20.2%), respectively. The age group of below 30 had the least value of 12 and accounted for 5.5%. This suggests that most of the insurance practitioners have mature minds and could take decisions and also understand the consequences of their decisions. The age bracket could help to access prospective clients for patronage, following the Nigerian culture of respect for age.

iii. Educational Status of the Respondents

The level of education reflects the minimum basic requirements of knowledge, technical know-how and skill that affect the practitioner’s performance. The factor that can best explain these qualities is the level of education attained by the practitioners. This question (Q3) is important because I wanted to ascertain the fact that the people or players in the Nigerian insurance sector have the basic education to learn and acquire knowledge. This gives a good picture that the players satisfy the minimum knowledge to receive and disseminate information across the industry value chain. This suggests that the practitioners are well enlightened and could communicate well with their clients and players in the insurance industry. This implies that the practitioners can read, understand and apply the Local Content Act. The next is the educational status of the participants.

Table 4.5: Educational Qualification

Educational Status of the Respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Graduate	103	47.2	47.2	47.2
	MBA/MSc	87	39.9	39.9	87.2
	PhD	15	6.9	6.9	94.0
	Others	13	6.0	6.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

The educational status of the practitioners is presented in Figure 4.5. The graduate recorded 103, accounting for 47.2%; followed by MBA/MSc holders, with 87(39.9%). Those with PhD and other certificates were 15(6.9%) and 13(6.0), respectively. This suggests that the insurance sector revolves around well-educated practitioners that possess the minimum requirement to perform their assigned task. Therefore, I can deduce that an average practitioner in the insurance industry possesses the minimum academic qualification and skill. This suggests that they can read and write and convince individuals and firms to buy insurance policies.

The next issues to consider are how long they have been in the insurance industry and their exposure to the oil and gas industry. Therefore, the extent to which the participants have experienced working in the insurance industry was also captured and presented in the table that follows.

iv. Working Experience of the Participants

Table 4.6 shows the respondents working experience in the insurance sector over time. This is to ensure that we have professional practitioners in the insurance industry.

Table 4.6: Working Experience of the Participants

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Less than 5 years	36	16.5	16.5	16.5
	6 - 10 years	22	10.1	10.1	26.6
	11 - 15 years	24	11.0	11.0	37.6
	16 - 20 years	92	42.2	42.2	79.8
	21 and above	44	20.2	20.2	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

As evident in Table 4.6, the practitioners in the age bracket 16-20 years of experience had the highest frequency, with 92(42.2%) practitioners; followed by those with 21 and above years of experience, then those who had less than 5 years of working experience in the insurance industry, with 44(20.2%) and 36 (16.5%), respectively. Those who had at least 21 years of working experience were 44, representing about 20% of the total number of participants. This pattern presupposes that an average worker in the insurance industry is well informed and exposed in terms of working experience. This experience is expected to serve as strength in driving the industry the growth path. The years of experience by insurance personnel or practitioners support the argument for age categories of the participants. A great percentage of the participants have spent many years in the insurance industry.

There was also the need to examine how many of the participants were exposed to the oil and gas underwriting. This would reveal the level of manpower capacity in underwriting oil and gas insurance in Nigeria.

The descriptive statistics for those who had specific knowledge in insurance dealing with oil-and-gas-related business are displayed in the table that follows.

v. Years of Experience in Oil and Gas Insurance

Table 4.7: Years of Engagement in the Oil and Gas Insurance

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Less than 5years	62	28.4	28.4	28.4
	6 - 10years	48	22.0	22.0	50.5
	11 - 15years	34	15.6	15.6	66.1
	16 -20years	30	13.8	13.8	79.8
	21 and above	44	20.2	20.2	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

In Table 4.7 reveals different categories of individuals with varying experience in terms of working with oil-and-gas-related insurance. Forty-four, representing 20.2%, of the participants had at least 21 years of working experience in oil-and-gas-related insurance; whereas those with less than 5 years of experience in terms of oil and gas insurance-related business were 62, representing about 28.4%. The participants that had experience of at least 6 and above years accounted for about

71.6%. This suggests that most of the insurance industry personnel have been introduced to and involved in the oil and gas industry. The high number of 62 participants recorded in less than 5 years' engagement in oil and gas insurance might be because of Local Content Act that was introduced. This reveals that a large number of practitioners understand the oil and gas sector and have the skills and experience needed to participate in the insurance industry. I was amazed that the industry had personnel with much experience. This showed me that the industry is well equipped with practitioners with adequate experience. This now raises the issue of the relevance of these practitioners. The available manpower might be supporting the claim that the emergence of Local Content Act has attracted qualified personnel into the insurance industry and has thus enhanced quality knowledge in the oil and gas industry, thereby contributing greatly to domestic knowledge. The technical depth in current international development is an issue with Nigeria's practitioners.

vi. Sector Participants

The participants for this study cut across different sectors in which insurance personnel are engaged, such as oil and gas workers, and insurance regulators. Question 7 of the questionnaire addressed this aspect. Most of the participants (185 (84.9 %)) worked in the insurance industry; while the oil sector and regulators accounted for 18 (8.3%) and 15 (6.9%), respectively, as shown in table 4.8. This suggests that insurance personnel are present in all the key sectors as stakeholders and exhibit the relevance of insurance practitioners in the oil and gas companies, the regulatory agencies, institutions and the industry, at large. Insurance practitioners in the oil and gas companies give advice to their companies, while the practitioners in the regulatory agencies are there to strengthen the rules and regulations of fellow practitioners. Responses to Question 10 showed that the practitioners that participated were Manager, General Manager and other higher ranks. The participants in the insurance industry cut across the value chain of the insurance industry, such as brokers, insurance companies, agents and re-insurance companies.

Table 4.8: Engaged Sector of the Participants

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Oil sector	18	8.3	8.3	8.3
	Regulator	15	6.9	6.9	15.1
	Insurance sector	185	84.9	84.9	100.0
	Total	218	100.0	100.0	

Source: Researcher's Field Survey, 2015

4.4.2 Thematic Analysis

After considering the socio-economic indicators of the respondents, I selected some questions from the administered questionnaire and analysed them in relation to the objectives of this study. These included questions related to awareness of the practitioners of the Local Content Policy, how this Act has influenced practitioners' premium and how it has influenced domestic capacity as well as the challenges hindering the Act in underwriting oil and gas insurance in Nigeria.

- **Oil and Gas Premium (Questions 14 and 15)**

These two questions had to do with how much oil and gas premiums accrued to the participants' companies as well as the income as a percentage of their gross income. I selected this question as part of the questions to analyse so that I could ascertain how practitioners' companies benefit in income. The results showed that most of the practitioners' companies recorded ₦51-200 million premium from oil and gas, with 96(44%); followed by ₦201-500 million, with 61(28%); and then ₦11-50 million, with 32(14.7%). The responses showed that only about 15 companies could boast that they earned between ₦500 million and above, whereas those that earned less than ₦10 million were 14(6.4%). The data showed that insurers were earning huge premium from oil and gas but the share in terms of gross income was low.

Responses to Question 15 established the fact that the majority of the practitioners claimed that oil and gas constituted 5-10% of the gross income, apart from the major top 10 companies earlier mentioned in chapter two. The leading top 10 insurers in oil and gas insurance accounted for about 21-25% of their gross income. My company Regency Alliance is among the players in the oil and gas; it falls into the category of ₦201-500 million and less than 30% of gross income.

Table 4.9: Level of Company's Oil and Gas Premium

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Less than 5 million	14	6.4	6.4	6.4
	11- 50 million	32	14.7	14.7	21.1
	51-200 million	96	44.0	44.0	65.1
	201-500 million	61	28.0	28.0	93.1
	500 million and above	15	6.9	6.9	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

The data established the fact that domestic companies' earnings from oil and gas premium is low and same is evident in their share of gross premium (See Appendix 2). Furthermore, I considered Questions 16 and 17 of the questionnaire to determine if the practitioners' companies have technical/reinsurance partners and if these partners are Nigerians or foreigners. It is amazing that bulk of the domestic insurance companies have foreign partners rather than the Nigerian ones for both technical and reinsurance matters. For instance, in my conversation with one of the respondents, he stated that "we partner with foreign companies to spread risk and to better returns (i.e. discount)". Another one stated that they did so because of technical know-how and to have edge over other domestic companies when there is need for bidding for a job as a stronger company. Domestic companies should patronize local reinsurance to retain substantial businesses in Nigeria; however, for self-interest reasons, they still patronize foreign reinsurers for commission. This further encourages capital flight (See Appendix 5). This raises the question "Are practitioners encouraging capital flight due to self-benefit?" This is a concern that can foster another study but not the main point of this study.

- **Local Content Act and Oil and Gas Underwriting**

I also decided to know practitioners' awareness of Local Content Act and other related issues with respect to oil and gas underwriting in Nigeria. Questions 20, 21, 22, 23 and 24 handled this Table 4.10 summarises the results.

Table 4.10: Practitioners' Awareness of Local Content Act

		Are the Insurance practitioners conversant with the Nigerian oil and gas local content policy? (Q9)	Are you part or contributor to the local Act? (Q21)	Has local content been beneficiary to the insurance industry? (Q37)	Has the implementation of Local Content Act increased capacity? (Q24)	Has the Act raised your company's oil and gas premium earned? (Q39)
N	Valid	218	218	218	218	218
	Missing	0	0	0	0	0
Mean		1.9954	1.7339	2.1101	1.9220	1.9450
Std. Deviation		.41290	.86554	.41492	.26876	.35495
Variance		.170	.749	.172	.072	.126

Source: SPSS output, 2015

As captured in Table 4.11, the majority of the practitioners were aware and knowledgeable about the Local Content Act in Nigeria. Nineteen of them claimed to strongly agree, while 181 agreed to that fact of being aware of the Local Content Act. The 18 practitioners who disagreed revealed that they were not conversant with the Act. I can state categorically that the respondents understand the Act and the implication of its adoption in the insurance sector.

Table 4.11: Perception of Practitioners' Awareness about Local Content Act

Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	19	8.7	8.7	8.7
	Agree	181	83.0	83.0	91.7
	Disagree	18	8.3	8.3	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Question 21 focused on whether the practitioners were involved and consulted in the drafting of the Act. The responses revealed that practitioners were not part of contributors towards the drafting of the Local Content Act as such, as shown by Table 4.11. A total of 190 (87.2%) of the respondents claimed that they were not part, by disagreeing with the statement; whereas 16 (7.3%) and 12(5.5%) of the respondents, respectively, strongly agreed and agreed to the statement. This action has raised a fundamental issue, as players in the sector are not carried along to make contribution. The practitioners are now trying to incorporate the Act into the insurance sector. The Local Content Act was government driven and the concerned sectors should have been carried along to reap the highest potential benefits of its implementation. I know it is true that not everybody can make contribution, but if the draft policy had the input of the practitioners, maybe it would have been more structured and robust to capture the sectoral peculiarities. Table 4.12 sheds more light on this.

Table 4.12: Respondents' Views on the Local Content Act

Are you part or contributor to the Local Content Act?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	16	7.3	7.3	7.3
	Agree	12	5.5	5.5	12.8
	Disagree	190	87.2	87.2	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

The study addressed the question "Has the Local Content Act been beneficial to the insurance industry?" The majority of the respondents strongly agreed and agreed that the Local Content Policy has been beneficial to the insurance industry, with 8(3.7%) and 178(81.7%), respectively, since its adoption in 2010.However, 32(14.7%) disagreed with the statement that the Local Content Act has not been beneficial to the insurance industry.

Furthermore, Question 23 focused on whether the implementation of the Local Content Act has increased domestic capacity. The increase in domestic participation and premium in the oil and gas witnessed over the years can be attributed to some of the benefits that accrued to the industry. This suggests that the more the Local Content Act is intensified in implementation the better it is for the domestic insurance companies and the oil and gas industry, at large. To a large extent, these views were also supported by the presence of more foreign insurance companies in Nigeria through merger, acquisition or buy-over, with the likes of AXA/Mansard. In response to Question 24, the participants noted that the Local Content Act has increased domestic insurance capacity in terms of manpower, premium (both life and non-life); and attracted foreign investment, penetration and structure. This has allowed domestic companies to partner in terms of technical, training, reinsurance and market development. I believe if the implementation is pursued more vigorously, the insurance market capacity might be at par with other emerging developing countries, like MINTS and BRICS. Despite the increased capacity experienced by the industry, the capacity is still low in terms of well-trained manpower in the oil and gas sector, capital to underwrite oil and gas without reinsuring such to foreign organizations.

Table 4.13: Respondents' Views on Local Content Act and Oil and Gas Premium

Has the Act raised your company's oil and gas premium earned?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Strongly Agree	20	9.2	9.2	9.2
	Agree	190	87.2	87.2	96.3
	Disagree	8	3.7	3.7	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

The respondents agreed that the adoption of the Local Content Act has helped in raising various companies' premiums, most especially the oil and gas premiums earned over time. Based on this premise, I conclude that this might have led to the increase witnessed in the number of insurance companies involved in oil and gas underwriting.

In summary, Questions 20 to 24 captured all relevant questions about the Local Content Act and oil and gas underwriting in Nigeria. I now make the following deductions: A large number of insurance personnel are aware and knowledgeable about the Local Content Act and this has transformed the insurance industry in Nigeria. The adoption has been beneficial and raised the capacity of the insurance sector in Nigeria in terms of investment, premium and so. and it has facilitated economic growth. This has helped me in providing answers to objective ii, as stated in chapter one. The respondents claimed that the Local Content Act has impacted on the oil and gas industry by attracting foreign insurance companies into Nigeria, increasing manpower capacity, raising oil and gas premium earned, increasing domestic participation in oil and gas companies in Nigeria. These have affected economic growth despite the reservation by few practitioners.

- **Local Content Act and Indigenous Capacity**

Here, I consider the connection between Local Content and capacity building in the insurance industry with respect to underwriting oil and gas in Nigeria. The insurance practitioners identified the major reasons domestic insurance companies have not raised their expected capacity despite the adoption of Local Content Act.

Table 4.14: Reasons Nigeria Insurance Companies Are Not Increasing Their Indigenous Capacity

Reasons	Frequency	%
Low Capital Base	87	40
Lack of Manpower training to Underwrite	76	35
Lack of Reinsurance treaty	44	20
Poor Regulation compliance	11	5
Total	218	100

Source: Researcher's Field Survey, 2015

My findings, as presented in Table 4.14 above, showed that 40% of the respondents were of the view that, among other factors, it was companies' low capital base that significantly restricted them from increasing their indigenous capacity. The thinking was that these companies may have the strategies and plans but lack the requisite capital; they are handicapped and could not increase their indigenous capacity, let alone engage in underwriting oil and gas insurance to meet the national objectives of the Local Content Policy. About 35% of the participants believed that the lack of manpower/training hindered them from underwriting this type of risk; while 20% of them were of the view that it was lack of reinsurance treaty. The remaining 5% believed that it was poor regulation and compliance that served as the challenge; so, if there were measures in place to take care of the compliance to policy directives, the story would be different.

iv Local Content Act and Capital Flight from Nigeria

From the analysis of data collected, about 80% of the respondents noted that the reduction in the insurance of oil and gas risks abroad had reduced the capital flight that the nation was witnessing from the sector; while 20% said it had not. I observed that this affected the extent to which insurance business is run in the country, to the extent that some of the respondents expressed fear of the process likely to result in collapse of the sector, if steps were not taken to stem the tide. The position of those who indicated there was capital flight was that the Local Content Policy has increased the retention of oil and gas risks in Nigeria. This means it would definitely reduce the premium that would be paid to overseas' insurers from this class of insurance. The reasons the respondents gave included that "it has to do with the attitude or rather the will of Nigerians to patronize fully made-in-Nigeria goods", which is the spirit of the Local Content Policy.

Table 4.15: Increasing Indigenous Capacity

To what extent has insurance companies increased their indigenous capacity in the last five years?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	capacity increased by 10%	55	25.0	25.0	25.0
	capacity increased by 15%	98	45.0	45.0	70.0
	capacity increased by 30%	65	30.0	30.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

The responses in Table 4.15 above are reflections of the increase of local content by companies since the inception of the Local Content Policy. A total of 25% of the companies only increased their capacity by just 10%; 45% of the companies by 15%; while the remaining 30% increased theirs by 30%. None of the companies in the market increased its capacity above 30% since the inception of the policy. This showed that there has been marginal increase in the local capacity. When asked why most Nigerian companies were not increasing their indigenous capacity, 40% of the respondents asserted believed that their capital base was too low for such exercise, 20% noted that it was due to lack of adequate reinsurance treaty; 5% argued that regulation was the problem; while the remaining 35% noted that it was lack of manpower to handle the underwriting of such risks.

Moreover, the respondents identified the following as some of the challenges facing the Nigerian companies in increasing their indigenous capacity:

1. low capital base
2. lack of manpower to underwrite specialized risks, like oil and gas risks
3. lack of adequate reinsurance treaty to enable companies to take risks beyond their capacity

4.5. Issues on the Nigerian Content Act Generally

The respondents averred that the Local Content Policy did not take into consideration the local capacity of the market before it was enacted. The issue of market capacity to underwrite a risk requires nurturing to grow and not creation using a legislative fiat.

4.5.1 Issues with Regard to the Local Content Act Acting against the General Principles of Insurance on Risk Sharing

The respondents generally indicated that the principle of Local Content Act goes against the insurance principle of spreading of risks globally. This means that losses would be domesticated to the territory/geographical area in which they occur. These, all the respondents noted, were the major issues of the Nigerian Local Content Act. Most companies are afraid to lose their capital in a volatile class of insurance such as this.

4.6. How the Nigerian Market Could Manage the Issues

The respondents argued that managing the challenges should be through cooperation among the operators. This could lead to the setting up of a workable pool or arrangement to underwrite the risks, and the setting up of another reinsurance company in the market by operators.

4.6.1. On the Issue of the Introduction of the Local Content Policy by the Government

The respondents indicated their views on how they felt the Nigerian Government went about the introduction of the Local Content Policy. Although this is a good idea if properly implemented, it can have a significant negative impact on the burden of claims, especially catastrophic ones, on the operators. It negates the principles of globalization of trade. I observed that 15% of the practitioners revealed that the introduction of Local Content Policy by the government could be described as lopsided; 80% supported it totally; while 5% said it was embarrassing.

4.7 On the Challenges Facing the Implementation of the Local Content Policy

Apart from the knowledge of Local Content Policy, respondents had varying views regarding the challenges associated with the implementation of the policy. Among the numerous possible challenges, four main ones were mentioned and evaluated by the respondents: lack of manpower, capital base of companies, reinsurance treaties and lack of local capacity of the insurance companies. It was observed that 22% of the respondents noted that one key challenge was lack of manpower in the industry to underwrite oil and gas risk. An example of the responses from the participants is “To engage in underwriting such risk, one requires adequate manpower, people with the technical know-how, and the resilience to engage in such a professional behaviour but we lack that” (A respondent). The concern was that it is important to have the resources, especially the human resource base, to deal with not only the administrative but also the technical challenges that may arise while putting to practice the content and spirit of the Local Content Policy.

Furthermore, 28% of the respondents noted that it was the low capital base of the companies in the market that constituted the greatest of the challenges. “If you want to embark on such an important exercise like this, you cannot underestimate the role of capital base in terms of money” (A respondent). The thinking was that money plays a key role to underwrite risks like oil and gas risks locally. Also 15% of the respondents noted that it was lack of adequate reinsurance treaty; while 35% asserted that it was lack of capacity by the local market to underwrite such risks.

4.8 Benefits from Local Content Act to the Insurance Industry and the Nigerian Economy

All the respondents noted that the Local Content Policy has increased the annual gross premium income of the operating companies, thereby improving the financial capital base. This, according to them, directly reduced capital flight from the country from the payment of offshore insurance and reinsurance.

4.9 Operators Increasing Their Expertise in Oil and Gas Insurance

The respondents indicated that steps taken by operators to increase their expertise really helped in actualizing the dream for the full domestication of oil and gas insurance. The responses are detailed in the table that follows:

Table 4.16: Increasing Expertise in Oil and Gas Insurance

Which area has the operator increased their expertise in oil and gas insurance?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Training	44	20.0	20.0	20.0
	Overseas exposure	20	9.0	9.0	29.0
	Increase in reinsurance Treaty	11	5.0	5.0	34.0
	Increase in capital base	8	4.0	4.0	38.0
	Two or more of the above	135	62.0	62.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Table 4.16 shows that 44(20%) of the respondents asserted that expertise in training was relevant for achieving the objectives of domesticating the underwriting of oil and gas risks; 20(9%) thought it was overseas exposure to foreign underwriters that was relevant. Furthermore, 11(5%) noted that it was in the increase of the reinsurance treaty; 8(4%) said it was the increase of capital base; the majority of them (135(62%)) indicated that it was a combination of factors that could result in the achievement of the objectives of the Local Content Policy.

With regard to the percentage of increase of the market in the next five years, the respondents' views are captured in Table 4.17.

Table 4.17: Percentage of Increase of the Market in the Next Five Years

In the next five years, to what percentage do you think the indigenous insurance companies would be underwriting oil and gas risks?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Achieve more than 30%	120	55.0	55.0	55.0
	Between 31 -50%	76	35.0	35.0	90.0
	Between 51 -70%	22	10.0	10.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Most of the practitioners –120(about 55%) – argued that the local market cannot achieve more than 30% in the next five years in terms of local content; 76(35%) argued that the local market can achieve between 31% and 50%; while 22(10%) averred that the local market can achieve its target of local content by increasing its market between 51% and 70%. None of the respondents believed that the local market can achieve 100% of the Local Content target. From the experience gathered in the industry, I felt the insurance sector still lacks the technical know-how, which still makes domestic companies unable to compete with their foreign counterparts.

It was further observed that the regulators play some roles in ensuring the successful implementation of the Local Content Policy. The data showed that 8% of the respondents asserted that the regulators had achieved below 20% success in implementing the Local Content Policy; 129(59%) noted that it was not above

40%; 50(23%) said it was not above 50%; the remaining 10% were of the view that the success rate was above 50%.

Table 4.18: Respondents' Views on Regulators Performance

How will you rate the effort of the regulators in ensuring the implementation of the Local Content Act?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Below 20%	17	8.0	8.0	8.0
	Not above 40%	129	59.0	59.0	67.0
	Not above 50%	50	23.0	23.0	90.0
	Above 50%	22	10.0	10.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

4.10 Other Observations

It was observed that most of the companies underwriting oil and gas risks place their reinsurance overseas, with little percentage of the risks being reinsured locally. With the non-life insurance and composite insurance companies in the market, the entire market could be able to underwrite over ₦2 trillion worth of oil and gas effectively. However, efforts in the past to increase local capacity have not proved successful.

On the issue of having technical foreign reinsurers, which would negate the principle of the Local Content regime, the observation was that most of the insurers may still serve as conduit to these foreign reinsurers through the ceding of risks outside the country. This will not be a good sign of progress for the insurance industry.

4.10.1 Views from the Interviews

Some comments from respondents are highlighted below:

1. “The Local Content Policy is a welcome development as it will help the industry to get enough funds that could help in its development of capacity to underwrite complex risks that are being done presently in overseas markets.”
2. “It has helped to increase the premium income of the operators, thereby making it possible for them to have enough funds to meet their claims obligation to the insuring public.”
3. “The industry does not have enough capacity to currently effectively underwrite oil and gas risks. Nevertheless, insurance is a business of risk, so there is nothing wrong in the government compelling the operators into taking the risks of providing insurance cover for oil and gas risks locally.”
4. “There are lots of challenges that the operators will face in implementing the local content policy but with determination, these challenges are not insurmountable.”
5. “With adequate reinsurance treaty, the operators will be able to provide cover as required by the policy, or at least to 70% of the government expectations from the government.”
6. “The government should have consulted the operators before including them in the policy.”
7. “The policy will help in reducing capital flight in the country.”

These views complemented those that were collected using the main research instrument.

4.11 The Key Challenges Facing the Nigerian Insurance Industry

The Nigerian insurance industry is faced with some challenges, as reported by respondents in this study. Specifically, I will present as a summary of the respondents' views on the challenges facing the industry in the implementation of the Local Content Policy or the domestication of oil and gas insurance in Nigeria:

i. Capital base of operating companies: This is reportedly low, and affects the operation of the companies in the industry, and their resolve to engage in underwriting oil and gas risks
ii. Lack of technical manpower to underwrite specialized risks like oil and gas risks.
iii. Lack of adequate reinsurance treaty to enable companies to take on risks beyond their capacity
iv. Lack of training and manpower development of underwriters to underwrite oil and gas risks.

I will now present some of the solutions proffered by the participants:

i. increasing reinsurance treaty;
ii. increasing training of technical staff;
iii. exposing underwriters overseas to enable them to acquire the skills to handle such risk;
iv. employing people with engineering and science background into the workforce.
v. operators in the industry cooperating with one another and working out ways to increase local market capacity to accept risks;

vi. setting up of pools;

vii. setting up additional reinsurance companies in the market; and

viii. increasing the capital base of companies that want to underwrite oil and gas risks.

4.12 Summary of Results

In summary, my findings from the above data analysis are quite revealing. It has revealed that the Local Content Policy has not actually taken roots as expected (see Nwaokoro, 2012; RY, 2015 and section 2.9.1 of chapter two of this work). Data gathered from the questionnaire reflected the facts on ground, that insurance companies in Nigeria lack the financial and manpower capacities to underwrite oil and gas insurance.

With the results, the next stage is to discuss the findings and drawn conclusions. Then recommendations can be made on how to improve on the state of insurance practice in Nigeria.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

In this chapter, I discuss in detail what I found during this study and the likely implications. I also present the recommendations and the limitations of the study and give direction for future research.

My research objectives stated in chapter one of this research indicates the effort to assist the Nigerian insurance industry to confront the challenges it faces with the issue of domesticating the underwriting of oil and gas risks. The Local Content Policy was targeted at enhancing domestic institutions and organizations to play active roles in the economy. The insurance sector was projected to underwrite up to 70% of the risks in the oil and gas sector by year 2010. This suggests that the bulk of the insurance should be done locally. This idea was conceived by the government to promote, encourage and protect the domestic market that is not mature yet to compete with their foreign counterparts. The Local Content Policy is a well-conceived policy, which, if well implemented will go a long way to strengthen the insurance industry and improve the capacity of the Nigerian insurance industry to accept more complex risks in its portfolios. The inability of the domestic insurance companies to underwrite complex and highly vulnerable risks resulted in continuous patronage of foreign companies, which aids capital flight out of Nigeria. Capital flight and the attendant sourcing of foreign exchange to meet reinsurance payments are a serious issue which continues to bother the government whose foreign reserve is continuously depleted. This and many more necessitated the need for Local Content Policy in Nigeria.

The merits of globalization have been acknowledged by scholars, like Manolica and Roman (2012). However, when globalisation is linked to the Nigerian oil and gas underwriting, there is concern as to why foreign companies dominate the entire business. This led to the clamour for the domestication of the business by the government through the Local Content Act (2010).

5.2 Discussion of findings

The findings from my research can be summarized as follows:

Firstly, the insurance industry did not enjoy patronage from the oil and gas sector until 2006 but the trend has gradually changed right from 2009. In 2010, the earned income declined and picked up in 2011 (NIA, 2015). However, the recent decline in oil prices in the international markets has significantly affected oil and gas operations as well as the accrued premiums from the oil and gas operations in Nigeria. The studies of Mojekwu et al., 2011, Outreville, 2011, Akinlo (2014) have established that there is a strong positive relationship between insurance premium and economic growth. The emergence of the oil and gas premium has helped to increase the total income earned, which gives an edge to the industry to contribute more to the economic activities, thereby raising insurance penetration to 0.3 per cent (Olayungbo,2015; Aglionby, 2016; EY, 2016). On the other hand, the weakened economy along with decline in oil prices from about $105 to $50.28 has reduced export and oil revenue and threatened oil and gas operations as well as the economies of most commodity exporting countries. This has made countries like Angola and Nigeria to be struggling with growth. This has negatively affected insurance premiums earned from the oil and gas industry and has slowed down economic activities (Aglionby, 2016). This argument is supported by Olayungbo and Akinlo (2016), who found a negative relationship on economic growth. These arguments are not too far from the findings stated in my study. The oil and gas premiums have been increasing and fostering economic growth, but this has been weakened by decline in oil prices and its premium income attributed to oil and gas

The respondents indicated their views on how they felt the Nigerian government went about the introduction of the Local Content Policy. They agreed that the Local Content Policy is a good idea if properly implemented but it can have a significant negative impact on the burden of claims settlement, especially catastrophic ones, on the operators. They also noted that it negates the principles of globalization of trade. In relation to the Nigerian insurance sector, 15% of the practitioners revealed that the introduction of the Local Content Policy by the government can be described as lopsided; 80% supported it totally; while 5% said it was embarrassing for the government to have introduced such policy at this time when they felt the Nigerian insurance industry has overgrown protective policies such as this.

Secondly, the enactment of the Local Content Act in 2010 raised the premium income earned for both life and non-life insurance in the oil and gas sector. The increase was significant, as the percentage contribution of oil and gas rose from N26.09b in 2010 to N66.8b in 2013. This has triggered gross premium from ₦100 billion ($502million) in 2007 to about ₦302billion ($1.5billion) in 2014, leading to an increase of over 200% (EY, 2016). This has placed the oil and gas industry a strong sector in non-life insurance in Nigeria, with great potential of transforming the sector if effectively monitored. This finding is similar to the argument of Adedeji et al. (2016) and Tordo (2016), that Local Content Policy has enhanced domestic income from oil firms, though it has performed below the targeted expectation. For instance, the Local Content Act was targeted at 45 %, 70% and 100% in 2007, 2010 and 2012, respectively (Bakare, 2011; Ihua et al., 2011; Ovadia, 2013 and Adedeji et al., 2016). This plan is very far from realities; however, the Local Content Act was found to be ineffective in the Indonesian manufacturing sector as its adoption did not reduce domestic firm’s dependency on foreign imported goods (Siwage, 2016). However, statistics (*Nigeria Insurance Digest*) confirmed that the adoption of the Local Content Policy has strengthened and raised life and non-life premium, created employment and attracted foreign insurers into Nigeria.

The data collected from the participants agreed with the above position. The respondents agreed that the adoption of Local Content Act has helped in raising various companies’ premiums, especially the oil and gas premiums earned over time. Based on this premise, I can deduce that this might have led to the increase witnessed in the number of insurance companies involved in oil and gas underwriting in the country at present.

The study found that most of the insurance practitioners were males and constituted about 55%, showing clearly that the industry is male-dominated; this calls for the need to encourage more female practitioners in the industry. This finding is strongly found to be true in other countries of the world (Claire, 2016). This idea is linked to the history of the insurance industry. It manifests even in managerial positions and also in other financial institutions (Coleman, 2014).

The study carried out on gender composition in industries in Australia revealed a different result, showing that females dominated the financial and insurance industry (Workplace Gender Equality Agency, 2016). In the Nigerian context, the males dominate the insurance sector, which might be attributed to the cultural and religious beliefs that confine women to domestic matters; they are to be at the background rather than seen. This is, however, changing gradually owing to the influence of Western education.

The insurance practitioners are fully aware of and conversant with the Local Content Act. This situation creates an enabling environment for future modification and contribution towards its implementation and capacity building in the insurance industry. This allows the insurance practitioners to envisage that oil and gas underwriting has future prospect. This awareness has transformed the insurance industry and strengthened investors' and consumers' confidence about the Nigerian insurance market (EY, 2016). This is stated earlier in chapter two that regulatory, governance and risk management policies embarked upon have boosted the Local Content Policy and created a better chance of success in future. Hence, the Local Content Policy will tend to record more success in future.

My findings revealed that a large number of the insurance personnel were aware of and knowledgeable about the Local Content Act; this has transformed the insurance industry in Nigeria. The participants maintained that the adoption has been beneficial and has raised the insurance sector's capacity in Nigeria in terms of investment and premium. It has facilitated economic growth. These findings addressed Objectives ii of this study. The respondents claimed that the Local Content Policy has impacted on the oil and gas industry by attracting foreign insurance companies into Nigeria, increasing manpower capacity, raising oil and gas premium earned, increasing domestic participation in oil and gas companies in Nigeria. All these have affected economic growth despite the reservation by some practitioners.

In addition, the insurance practitioners strongly argued that the adoption of the Local Content Act has helped to minimize the level of capital flight through increased participation of the local market. For instance, the Nigerian government claimed to have saved about $380billion capital flight through the Local Content Act (Opara, 2017). However, the adoption of the Local Content Act does not eradicate the patronage of imported inputs; therefore, only strict implementation will halt capital flight (Siwage, 2016). With only 2 reinsurance companies in Nigeria and limited capacity, capital flight is inevitable since reinsurance premium will still need to be paid overseas though in a reduced proportion. Therefore, effort needs to be made to increase the number of operating reinsurance companies in Nigeria. About 80% of the respondents noted that there is reduction in capital flight from the sector; while 20% disagreed. This implies that reinsurance premium paid overseas has reduced.

The study found that the greatest challenges of domestic insurance are inadequate manpower and low capital base to underwrite highly risky operations and even compete with their foreign counterparts. This is found to hold for many sub-Saharan African countries (EY, 2016). For instance, about 75% of the participants noted that capital and manpower account for why local insurers are unable to increase their capacity. The capital for each of life insurance, general insurance and reinsurance capital is relatively small because the last capital base was placed at ₦2 billion, ₦3 billion and ₦10 billion, respectively, at 159 per dollar, as against the prevailing rate of 366 per dollar at the official rate. EY (2016) asserts that the bane of domestic insurance in Africa is low risk-based capital, scarce skilled and experienced resources and high poverty level. Similarly, Adewuyi and Oyejide (2012), UNECA, 2013 and Siwage (2016) state that Local Content does not guarantee domestic development if there are resources gap which makes the local firms unable to compete.

A total of 22% of the respondents noted that one key challenge was lack of manpower in the industry to underwrite oil and gas risk. An example of the responses from the participants is “To engage in underwriting such risk, one requires adequate manpower, people with the technical know-how, and the resilience to engage in such a professional behaviour but we lack that" (A respondent).

On the future of oil and gas insurance in Nigeria, 55% of the respondents asserted that practitioners will not exceed 30% capacity to write such risks. This is so because of the multiple factors of capital, expertise, trust, reinsurance and regulation and continuous depreciation of the naira.

Lastly, the research also confirmed that domestication negates the insurance principle of spreading risks. Local Content Policy has been adopted and hastened the growth of economies, such as Malaysia, Venezuela and Norway, by increasing indigenous participation in the oil and gas, insurance and other sectors of the economy (Adedeji et al., 2016). Conversely, the Local Content Policy has remained ineffective in the manufacturing sector in Indonesia (Siwage, 2016). This is because of reliance on much importation to run its industries. In Nigeria, despite the potential benefits of domestication of insurance, associated risks in oil and gas, such as the catastrophic hazards that took place globally between 1970 and 1989 brought losses of about $8.3 billion a year, with $32 billion a year between 1990 and 2007. Developing countries such as Nigeria need to have a rethink of total domestication despite the benefits, such as growth of local industries, transfer of technology and increased employment. The respondents generally indicated that the principle of Local Content Act goes against the insurance principle of spreading of risks globally. This means that losses would be domesticated to the territory/geographical area in which they occur.

5.3. How my Research Met Its Objectives

While carrying out this research, I explored available information and knowledge to achieve the earlier stated objectives and provide answers to the research questions raised.

The objectives of the research were met, as discussed below:

This part reconciles the stated objectives with the corresponding questions stated in the questionnaire.

Objective 1: To assess the trends of oil and gas premium earned in the insurance sector in Nigeria.

The objective is achieved through Table A, Table B and Figure C. The literature has shown that the life and non-life insurance premiums are increasing in Nigeria. The oil and gas income, which is a component of non-life insurance, is steadily increasing over the years. This has allowed me as a practitioner to affirm the fact that the income earned from oil and gas is increasing. I, thereby, concluded that domestic insurance participation in the oil and gas underwriting is increasing. I equally concluded that the oil and gas premium has been playing a key role and contributing to the overall premium earned by non-life insurance in Nigeria.

Relevant questions in the questionnaire include:

Question 15: What percentage of your gross income is related to oil and gas? (a) 15% ( ) (b) 20% ( ) (c) 25% ( ) (d) 20% ( ) (e) 25% ( )

Question 24: To what extent do you think the insurance companies had increased their indigenous capacity in the last five years? ………………………

Question 34: What are the workable solutions on how high-tech risks like that of oil and gas will be underwritten locally? …………………

Question 44: In the next five years, to what percentage do you think the indigenous insurance companies would be underwriting oil and gas risks? …………..

Question 47: Has the Nigerian insurance industry played active role in providing the necessary covers and protections for oil and gas risks originating from the country? ....

The above demonstrate the percentage of non-life or composite premiums relate to oil and gas. It also shows the trend over the years in the past and the future growth in premium and the willingness of the industry to grow insurance in the sector.

Objective 2: To examine the impact of Local Content Policy in the oil and gas underwriting in Nigeria.

I raised some related questions in the questionnaire that helped me to shed light on the stated objective. These questions are to reflect that the practitioners are aware of the Local Content Act and how the Act has enhanced their capacity and their income earned and by what rates or magnitude. The questions pertaining to these are stated as follows:

Question 9: Are you conversant with the Nigerian oil and gas domestication policy?

Question 15: What percentage of your gross income is related to oil and gas?

Question 21: In drafting the Content Act, which of these categories were consulted?

Question 24: To what extent do you think the insurance companies had increased their indigenous capacity in the last five years?

Question 25: Which suggestions would you offer the insurance companies in order for them to increase their indigenous capacity?

Question 37: In what ways had the Content Act been beneficiary to the insurance industry and the Nigerian economy?

The opinions of the respondents revealed that the introduction of the Local Content Act has enhanced their premium income from oil and gas. This view was complemented by the data of the oil and gas premium as it steadily increased after the adoption of the Local Content Act. Therefore, I concluded that the adoption of Local Content Act has improved the oil and gas premium to the domestic insurance companies, although it is perceived to be minimal as against the expected target.

Objective 3: To identify the factors preventing Nigerian insurance companies from underwriting oil and gas.

As a practitioner, my quest is to unfold the factors that have constrained the domestic insurance from underwriting oil and gas despite the effort made by the government and the insurance industry through the adoption of Local Content Act and the pool formed by the consortium of insurance companies in Nigeria. These questions include:

Question 27: Enumerate the challenges facing the Nigerian insurance companies in increasing their indigenous capacity.

Question 35: Identify the challenges being faced in the implementation of the Content Act.

Question 49: Kindly highlight the challenges confronting the industry in domesticating oil and gas risk.

The answers provided by the respondents revealed challenges identified in this study. Some of these challenges are earlier stated in both the academic and professional literature, while some are not. These challenges include:

i. inadequate capital base to underwrite the oil and gas operations.

ii. lack of human manpower and capacity to execute the oil and gas underwriting

iii. lack of sufficient treaty

iv. unscrupulous invention to earn foreign income commission

v. the value system that is not trusting makes potential clients and oil majors not to want to entrust their premium in the hands of indigenous practitioners.

Therefore, I concluded with the outcome of the study and in line with KPMG (2015) and EY (2016).

Objective 4: To examine the contribution of insurance in the economic development of Nigeria

The demography of Nigerians given in the questionnaire with respect to age and sex showed that the profession is male-dominated, and the age bracket falls in the late 40s.

It further shows that regulators, who represent the executive in government, play unique roles to ensure higher retention of risks, reduction in capital flight and ultimately bring benefits to the populace.

There should be gender shift in favour of the girl child also.

Question 1: What is your Sex? (a) Male ( ) (b) Female ( )

Question 2: Age (a) Below 30 ( ) (b) 30-40 ( ) (c) 41-45 ( ) (d) 45-50 ( ) (e) 51 and above ( )

Question 22: In your own view, to what degree has the Content Act reduced capital flight from Nigeria? ………………………

Question 23: Why do you think the capital flight from Nigeria has not been reduced to the barest minimum? ………………………

Question 24: To what extent do you think the insurance companies have increased their indigenous capacity in the last five years? ………………………

Question 37: In what ways has the Content Act been beneficiary to the insurance industry and the Nigerian economy? ………………….

Question 46: How will you rate the effort of the regulators in ensuring the implementation of the Local Content Act?
………………………………………………

Gross Premium Earned by Business Class Category from 2004-2013(₦ Millions).

Year	Fire	Motor	Gen. Accident	Marine & aviation	WC	Oil& Gas*	Miscellaneous	Others	Life	Total
2004	7.34	15.07	13.82	20.99	0.00	0.00	0.00	0.00	12.19	69.41
2005	9.58	16.48	16.31	21.01	0.00	0.00	0.00	0.00	12.94	76.33
2006	9.82	17.11	11.95	7.84	0.92	14.91	5.39	1.61	12.74	82.29
2007	10.38	25.22	16.19	11.26	0.98	12.98	7.82	0.00	15.78	100.62
2008	15.62	38.12	22.54	17.23	0.72	17.40	9.14	0.00	29.33	150.09
2009	16.54	45.22	23.91	16.73	1.70	31.58	8.98	0.00	34.29	178.95
2010	19.29	42.04	28.59	20.10	0.90	26.09	8.95	0.00	39.76	185.72

2011	19.86	44.65	29.59	23.40	0.63	34.12	10.93	0.00	54.55	217.75
2012	21.79	44.81	29.75	20.97	0.50	55.75	8.60	0.00	69.97	252.14
2013	24.45	39.85	27.98	18.69	0.37	66.81	9.27	0.00	80.42	267.84

Source: Nigeria Insurance Assurance Digest, 2013

% of Oil and Gas to Total Industry Non-Life Gross Premium Income, 2006-2011

YEAR	Oil& Gas (₦ billion)	Non-Life (₦ billion)	Total Premium (₦ billion)	Share of Oil & Gas to Non-life (%)	Share of Oil & Gas to Total (%)
2004	0.00	57.22	69.41	0.00	0.00
2005	0.00	63.38	76.33	0.00	0.00
2006	14.91	69.55	82.29	21.44	18.12
2007	12.98	84.84	100.62	15.30	12.90
2008	17.40	120.76	150.09	14.41	11.59
2009	31.58	144.65	178.95	21.83	17.65
2010	26.09	145.96	185.72	17.88	14.05
2011	34.12	163.19	217.75	20.91	15.67
2012	55.75	182.17	252.14	30.60	22.11
2013	66.81	187.42	267.84	35.65	24.95

Source: Nigeria Insurance Assurance Digest, 2013

Trend path of Non-life Insurance Component in Nigeria between 2003 and 2013

Source: Author's computation, 2015

The tables and figure further illustrate trend and the impact of Local Content Act, and the fact that growth in the sector impacts positively on the economy.

Objective One: To assess the trend of oil and gas premium earned in the insurance sector in Nigeria

In this section, I merge the results from the analysis of the research Question (i) as contained in Question 22 of the questionnaire and the research objectives in chapter one of this work. Objective One was met through the following arguments and findings. In the previous years, the oil and gas insurance was underwritten almost solely by the foreign companies because of lack of expertise, technology, and capital until 2006. The aggregate, both life and non-life insurance premiums, has been on the increasing path; the components also witnessed increase (See Fig. 2.5, Fig. 2.6, Fig. 2.7, Fig. 2.8 and Fig. 2.12). The components are fire, motor, general accident, marine and aviation, work compensation, oil and gas. This established that oil and gas insurance income has been on the growth path over the years; declined in 2010, the year that the Local Content Act was introduced; but thereafter began to grow faster, with greater enforcement. This has further enhanced domestic underwriting of the oil and gas risks in Nigeria (See Fig. 2.8). In addition, Figure 2.12 established that oil and gas has remained the most reinsured business class of insurance in the non-Life category. This has confirmed the growth of oil and gas underwriting in Nigeria. There were no studies to determine this due to the unavailability of data in this most volatile industry. Other previous studies (Oke, 2012; Madukwe and Anyanwoke, 2014; Akinlo and Apanisile, 2014) have established that insurance premium earned has been on the increasing path. This study thus confirmed these findings. Nonetheless, the growth is still slow. Stronger regulation, local infrastructure and stability in the oil-producing areas are needed to guarantee increase in production.

Objective Two: To examine the impact of the Local Content Policy on the development of oil and gas insurance in Nigeria

I merge the results reflecting the answer to Research Question (ii), as contained in Question 24 of the questionnaire, with that of the research Objective Two in Chapter One of this work. The introduction of the Local Content Act of 2010 has enhanced oil and gas insurance premium from the level it was in 2006. The intention of the Act is to promote domestic participation, which was actualized through increased premium income earned, increased expertise and technical know-how, transformation of physical local infrastructure in areas where oil is produced, and employment. This is evident from 2011 to 2014 (Fig 2.8). Recently, the price of oil has started declining, which affects the operations of the oil and gas industry negatively and raises the risks attached to its operations. These risks are transportation risks, operational risks, marketing risks and other risks, as earlier mentioned in Chapter Two. With increased risk, total domestication of insurance could bring about greater risk beyond the capacity of the insurance industry, which negates the anticipated benefits of the Act.

In addition, the Local Content Act has created awareness and a platform for domestic insurance practitioners to explore all opportunities in the Local Content Policy in Nigeria. This suggests that most of the insurance practitioners would play a strategic role in the actualization of the policy. However, if the practitioners are not fully aware and conversant with this, the implementation and success of the Act may suffer. The practitioners have deepened their skills in this oil and gas insurance to underwrite such risks as part of capacity building. This is in tandem with the findings of Ovadia (2013; 2015), Aigboduwa and Oisamoje (2013) and Adenekan (2010) that the Local Content Act has enhanced domestic participation, yet the level of participation is still small compared to other countries, like Brazil and Ghana.

Furthermore, it was observed that the Act has helped to raise the share of oil and gas premium income in non-life insurance and reduced capital flight. In view of the patronage enjoyed by insurance companies from oil companies, pools and coinsurance have now grown to create the needed capacity to underwrite oil and gas risks, which supports spreading of risks in insurance. This buttresses the risk theory and practice of insurance, as suggested in the studies of Adepoyigi (2006), Sumegi (2008) and Adenekan (2010).

A further review of the Act showed weaknesses and lapses because it is not sector-oriented and not specific, but it is being modified to suit the interest of each sector based on the industry's interpretation and understanding. Practitioners were not consulted at the draft stage of the policy. The Act never had a good knowledge of the state of the insurance industry neither was there a frame given to implement. The Act took a holistic view of the Nigerian economy without taking cognizance of the oil and gas sector specifically. This Act has not been reviewed since its enactment; there is a need to review same with all stakeholders involved. This agrees with the claim of Aneke (2002), that the Local Content Act is not clearly defined for the oil and gas industry, but each player assumes roles to make it work.

Besides, I found out that the insurance practitioners have benefited also in the implementation of the Local Content Act, through development of new products, creation of strong oil and energy departments, and widening of regional base, such as Nigerians being heads of African Insurance Organization (AIO), West African Insurance Institute (WAII), Gambia and Nigeria being the insurance hub of West

Africa. This suggests that insurance practitioners have benefited through increased domestic participation. Before the emergence and implementation of the Local Content Act domestic participation in the oil and gas underwriting was very low. Despite the expected benefits of the Local Content Act, compared with economies such as UK and Singapore with 1229 and 161 insurance companies and contribution to GDP of 2.6 and 1.2, respectively, Nigeria had only 58 insurance companies and they contributed 0.39 to its GDP. Nigeria needs to enhance compulsory insurances and government should lead by example and insure all its assets to deepen and grow its income higher. This is in line with Anju and Bala (2013) and Anthony and Luke (2011), Asinobi and Ojo (2014) and Akinlo (2014), who agree to the role of Local Content in oil-producing countries.

Objective Three: To identify the factors preventing Nigerian insurance companies from underwriting oil and gas fully

I attempt to reflect on the answer from the research Question 3, as contained in Question 35 of the questionnaire, with the Research Objective 3 in Chapter One of the work. Constraints hindering the domestication of the oil and gas underwriting in the insurance sector in Nigeria include lack of adequate capital. Capital reflects current realities; however, the existing capital base is long overdue for review following the 2005 minimum capital required of insurance companies by law. For instance, the capital base for life insurance was placed at ₦2 billion (US$12.5million) and that of non-life insurance was ₦3billion (US$18.8million); these values have reduced in dollar terms of estimated ₦159 per dollar to the prevailing ₦360 per dollar at the official rate. This has reduced by 50% the capital base in real terms for a capital that was inadequate even in 2005. Several attempts to foster stronger cooperation and formation of pools have not worked owing to insincerity and lack of trust on the part of the industry players. This stand is in line with the professional's view (Pan African, 2013; EY, 2014, KPMG, 2015) that capital base is one of the factors influencing oil and gas underwriting in Nigeria. The primary data used also revealed this challenge.

In addition, the lack of expertise, innovative products and technical capacity has undermined oil and gas underwriting in Nigeria. There is also the lack of adequate insurance treaty. The oil and gas insurance in Nigeria is still a challenge to insurance practitioners because they have been used to the existing insurance products that are less volatile with less innovation. Most of the oil and gas companies tend to patronize insurance companies that have varieties of products to cover their various risks associated with their operations, but this is lacking domestically. This has further hindered the domestication of oil and gas insurance in Nigeria. This finding strongly agrees with the position of KPMG (2015) and PWC (2016), that clients are craving for innovation and new products to cover more risks rather than the recycled products.

Another issue is distrust. Distrust makes it difficult coming together to form the needed pools that could assist increase capital. This distrust has extended from local practitioners to even potential foreign partners and investors. Expertise, which is lacking is worsened by unwillingness to learn and make personal sacrifice financially from personal income to gain knowledge. This has further undermined insurance company's ability to underwriting some risks. This is confirmed in the works of both the academic and professional practitioners, like Asinobi and Ojo, 2014, EY (2014) and KPMG (2014).

Objective Four: To examine the contribution of insurance to the economic development of Nigeria

In this section, I merge the answers from Research Question 4, as contained in question 37 in the questionnaire, with Objective Four. The insurance sector, as

Aslan and Kucukaksoy (2006) state, mobilizes funds into the financial system. These funds are invested into projects in the country and this affects economic development. This investment through capital accumulation creates employment generation, mobilizes savings and increases standard of living. This is evident in the involvement of Lasaco Assurance Plc. in USAN oil field of $83million premium income that positively affected the host communities.

The premium earned by the insurance industry on average has been on the increase over the years along with the corresponding gross domestic product (GDP), as clearly depicted in Figure 4.1. This suggests that as insurance premium income increases, the sectoral contribution to GDP and GDP as a whole increase. As the premium income earned witnessed some decline, the impact was also felt by other sectors of the economy. Some authors (Outreville, 1990; Oke, 2012; Chang, Chaing Lee and Chang, 2014; Petrova, 2015) have noted this in both developed and developing countries.

5.4. Implications of My Project Findings for the Nigerian Insurance Industry and Stakeholders' Knowledge

My findings revealed that gross premiums have been increasing over the years in the same direction as the GDP. This shows that there is a positive relationship. The implication is that, as price of oil and gas increases, expenditure in the sector also grows and will raise the gross income earned in the insurance sector, which will trickle down to the economy and contribute meaningfully to the GDP. In both years 2004 and 2005, the oil and gas premium was nil but started showing signs of increase in values in 2006. This implies that before 2006, most of the insurance in the oil and gas went to foreign companies. The domestic insurance participation started in Nigeria's oil and gas through reinsurance in 2006. The adoption of the

Local Content Act and series of reforms in the insurance could be responsible for the huge values witnessed in the oil and gas sector as compared to other business groups in the insurance industry.

The major domestic players that ranked first to fifth were Leadway Assurance, Custodian & Allied Insurance, Sovereign Trust insurance, Mansard Insurance and Industrial & General Insurance, in that order of highest premiums value of insured oil and gas operations in 2013 (NIA, 2013). My findings conform to the literature (Anthony and Luke, 2011; Oke, 2012; Ozumba, 2013; Yinusa and Akinlo, 2013), which argues that the insurance sector, through the gross income earned, has significantly contributed to economic growth in Nigeria. The study found that oil and gas constituted up to 36% of the non-Life total premium that accrued to the insurance sector. Therefore, oil and gas underwriting is having a significant impact on the insurance sector and on the economy through foreign investment, capacity building, technological know-how and so on. This has helped in achieving the number one objective raised in this study, showing the share of oil and gas premium on non-life insurance and total insurance premium over the years.

In addition, I found that most of the insurance practitioners are aware of the implication of the Local Content Policy and have better understanding of the Local Content Act in Nigeria as it pertains to oil and gas underwriting. The insurance practitioners were in full support of the programme, but some claimed they were not carried along before the implementation. The implication of this result is that, in situations where the individual is aware of the Local Content Act, there is the greater likelihood that such a person will be ready and willing to support underwriting risks related to oil and gas. However, the participants strongly agreed that the domestication of insurance has affected the insurance sector positively by compelling or luring the oil and gas companies to patronize the domestic insurance firms either directly or indirectly through reinsurance. The study showed that the domestication has improved the oil and gas premium and the figures even doubled after its adoption. Despite the constraints facing the domestic insurance industry, such as low capital base, as well as inadequate manpower and capacity, the Act has attracted foreign insurance. This has repositioned the insurance sector for greater heights. These findings are in consonance with Ihua (2009) and Aigboduwa and Oisamoje (2013), who state that local content has improved and aided economic development but with reservation that domestic insurance still lacks capacity to compete competitively and effectively with its foreign counterparts. However, the Local Content Act has benefitted some Nigerian companies that embraced the vision. These include Lonestar, involved in drilling; SCC Mill, involved in manufacturing of line pipes; Nigerdock, dealing with construction of SBM Calm Buoys; Stars, concerned with building of offshore vessels; and Nestoil, Baywood and Oil, concerned with pipeline construction (Aigboduwa and Oisamoje,2013).

Furthermore, my study found that the three topmost challenges facing the domestic insurance companies, as articulated by the insurance practitioners, are lack of capital base, low manpower and capacity building and poor regulation compliance. These constraints have made the domestic insurance companies to perform below expectation, thereby creating a huge gap in underwriting oil and gas risks. This connotes that despite the Local Content Act, some of the inherent problems still persist. These challenges can be over if the domestic insurance companies decide to leverage on the capacity and strength of the foreign insurance firms with the recent merger, acquisition and partnership with foreign insurance in Nigeria.

My research has implications for the improvement of practitioners' interest in underwriting of oil and gas risk vis-à-vis the implementation of the Local Content Policy in Nigeria. One key concern to me is what hinders the Nigerian insurance industry from increasing its underwriting capacity, especially those companies that are interested in participating in oil gas insurance business. There are also the problems that border on lack of adequate local reinsurance treaty to support the local market in underwriting the risk; there is the challenge of inadequate manpower with the necessary expertise to underwrite such risks. The capital base of some of the operators is too low for them to take a reasonable proportion of the risks in their underwriting portfolio. Funding is crucial in the implementation of the Local Content Act in the area of increasing the reinsurance treaty of the underwriting company.

I found that a major benefit to the country is the extent to which the Act will help in retaining higher premium for the country. Other benefits will be in the development of the local capacity to underwrite specialized and complex risks, such as oil and gas risks, development of the local manpower and increasing the local reinsurance capacity in the Nigerian insurance market as well as enhancing the skills of the other providers of specialized services to the market, such as brokers and loss adjusters.

Objective I:

To assess the trend of oil and gas premium earned in the insurance sector in Nigeria.

- There was no premium income in oil and gas generated by domestic insurance companies until 2006. The trend in growth continued thereafter. The government insurer, NICON (National Insurance

Corporation of Nigeria), –enjoyed the monopoly to underwrite this sector and later other insurers began to participate.

- Emphasis on the Act was not insurance-specific but general for the entire economy.
- Following the fall in world oil price in 2009, the income of oil and gas insurance companies reduced and affected their ability to embark on new projects and continue with the existing ones. Insurance companies were, therefore, affected until there was an upward change in world oil price, which also positively affected insurance companies.
- Government, at different times, showed different levels of interest in full implementation of the Act to all sectors, especially the insurance sector.

The results from the figure and table below showed the trend in premium from the oil and gas sector. A pool was also formed for insurance companies to subscribe to. The pool suffered administration and was later jettisoned. A further trend also showed that, after the consolidation of insurance companies in 2007, there were acquisitions and mergers and some with foreign interest, which increased capacity and technical know-how.

Gross Premium Earned by Business Class Category from 2004 t2013 (₦ Billions).

Year	Fire	Motor	Gen. Accident	Marine & Aviation	WC	Oil& Gas*	Miscellaneous	Others	Life	Total
2004	7.34	15.07	13.82	20.99	0.00	0.00	0.00	0.00	12.19	69.41
2005	9.58	16.48	16.31	21.01	0.00	0.00	0.00	0.00	12.94	76.33
2006	9.82	17.11	11.95	7.84	0.92	14.91	5.39	1.61	12.74	82.29
2007	10.38	25.22	16.19	11.26	0.98	12.98	7.82	0.00	15.78	100.62
2008	15.62	38.12	22.54	17.23	0.72	17.40	9.14	0.00	29.33	150.09
2009	16.54	45.22	23.91	16.73	1.70	31.58	8.98	0.00	34.29	178.95
2010	19.29	42.04	28.59	20.10	0.90	26.09	8.95	0.00	39.76	185.72
2011	19.86	44.65	29.59	23.40	0.63	34.12	10.93	0.00	54.55	217.75

2012	21.79	44.81	29.75	20.97	0.50	55.75	8.60	0.00	69.97	252.14
2013	24.45	39.85	27.98	18.69	0.37	66.81	9.27	0.00	80.42	267.84

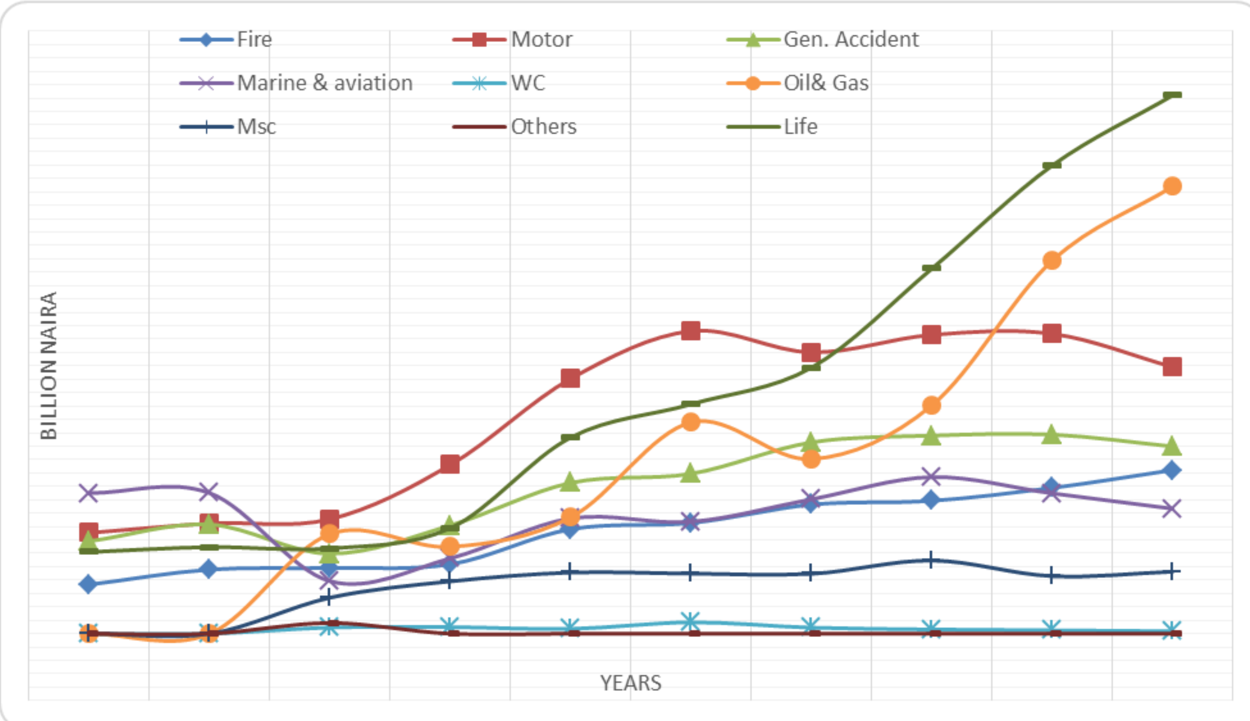
Source: Nigeria Insurance Assurance Digest, 2013

% of Oil and Gas to Total Industry Non-Life Gross Premium Income, 2006-2011

YEAR	OIL& GAS (₦ billion)	NON-Life (₦ billion)	Total Premium (₦ billion)	Share of Oil & Gas to Non-life (%)	Share of Oil & Gas to Total (%)
2004	0.00	57.22	69.41	0.00	0.00
2005	0.00	63.38	76.33	0.00	0.00
2006	14.91	69.55	82.29	21.44	18.12
2007	12.98	84.84	100.62	15.30	12.90
2008	17.40	120.76	150.09	14.41	11.59
2009	31.58	144.65	178.95	21.83	17.65
2010	26.09	145.96	185.72	17.88	14.05
2011	34.12	163.19	217.75	20.91	15.67
2012	55.75	182.17	252.14	30.60	22.11
2013	66.81	187.42	267.84	35.65	24.95

Source: Nigeria Insurance Assurance Digest, 2013

Trend path of Non-Life insurance component in Nigeria between 2003 and 2013



Source: Author' computation, 2015

A growth in premium income generally across all classes of insurance is noticeable since 2004. However, that of oil and gas started in 2006. This trend shows dominance of foreign insurers up to 2005. This has been a challenge to Nigeria (government and practitioners) for a country that earns over 90% of its foreign exchange from the oil and gas sector.

Objective II:

To examine the impact of Local Content Policy in the development of oil and gas insurance in Nigeria

My findings revealed that:

- There was great awareness among stakeholders with regard to greater opportunities in the Act.

- Enforcement was also noticed to be growing better through the regulator over time.
- Premium grew at a higher percentage generally in insurance and particularly oil and gas as percentage of non-life premium.

  See the figure and tables in objective I above.

2 The results also showed that there was reduction in capital flight. The Act was not insurance sector-oriented but general to the economy, not oil and gas.

3 The results from the respondents showed that:

   - 87% stated that they were not consulted, or they did not contribute to the enactment of the Act.
   - 91% also confirmed that they were conversant with the Act.
   - 96% agreed that a key factor affecting implementation of the Act was lack of adequate capital and, therefore, there was need for domestic insurers to increase substantially their capital.

In conclusion, the findings revealed that practitioners were fully aware of the Local Content Act, its benefits to the sector. Therefore, they accepted it. Enforcement from regulatory authorities, which gives exclusive rights to local insurers to exhaust their capacity before foreign ones can participate, further gives room for increased capacity.

Objective III:

To identify the factors preventing Nigerian insurance companies from underwriting oil and gas fully

I found the underlisted as the critical factors:

- Capital: The capital or funds denominated in naira at ever-increasing exchange rate is very small in relation to capital requirements in such a capital-intensive sector.
- Skilled and specialised manpower: – This has been lacking and is still lacking with respect to meeting the human capacity requirements in the oil and gas sector. Training and development are, therefore, required.
- Availability of treaty: This is insufficient to meet with the high-tech risky nature of the sector. There is need to scale-up this.
- The Local Content Act is expected to give greater opportunities to the insurance sector, especially in oil and gas. However, the Act has not been insurance-specific.
- Reinsurance company: Only 2 reinsurance companies operate in Nigeria with limited capacity. This is why foreign reinsurers are sought to carry the excess capacity. There is need for additional reinsurance companies in Nigeria.
- Unscrupulous tactics to earn foreign income commission: Practitioners refuse to exhaust their capacity and rather prefer to reinsure abroad to earn reinsurance commission.
- There is some level of distrust in the system and this makes potential clients and oil majors not wanting to entrust their premium in the hands of indigenous practitioners.

In spite of government efforts at local domestication, capital and human capacity have remained major obstacles to full domestication of the oil and gas sector.

Objective IV:

To examine the contribution of insurance in the economic development of Nigeria

- Insurance, a part of the financial sector, has increased positively its contribution to the gross domestic product (GDP) of Nigeria. Oil and gas insurance is a major component.
- It is noted that the percentage of insurance contribution to GDP is less than 2%, a contribution that is ridiculously low. This is due to lack of trust in insurance companies fulfilling their claim obligations as well as non-implementation of compulsory insurance.
- Insurance mobilises fund into the financial system for projects. It also creates employment and thereby improves the standard of living of Nigerians.
- By reducing reinsurance payment to overseas reinsurers, capital flight is reduced, and this saves the economy the much-needed foreign exchange.

Result from the respondents

A total of 45% of the respondents confirmed that, in the last 5 years, there has been increase in indigenous insurance companies' participation in oil and gas insurance by only 15%. But 30% of the respondents confirmed that indigenous capacity participation has increased by 30%. These figures demonstrate some elements of capacity building in growing the economy over time. However, 80% of the respondents believed that capital flight reduced only by 10%, whereas regulator's role succeeded in reducing capital flight by only about 50%.

Insurance will continue to contribute to the economic development of Nigeria through mergers of insurance companies in 2007 that ensured that capacity was large to retain large risks. Retainership of large risks gives big premiums which are used to build reserves, provide employment and pay claims to give peace and comfort to Nigerians.

From these, there is still evidence of positive contribution from the insurance sector, particularly oil and gas, to the economy.

Some Analytical Generalizations

Following the consolidation exercise of insurance companies because of new capital requirements, the number of insurance companies shrank. The companies had to merge to raise the needed capital; as a result, new companies emerged. This qualified them to meet with the requirements to write complex risks.

Another issue is that the available industry statistics are not reflecting the actual enthusiasm we have in the market. This means that there could be some communication problem. It is either that the Nigerian Insurers Association statistics are not a true reflection of the market experience or that the practitioners' enthusiasm is far from market reality or their experiences in their companies.

The above scenario is even worsened by the fact that the National Insurance Commission, which has a statutory duty to publish these statistics, does not actually do so promptly, which could have given us the current picture of the growth in the market to meet the objective of this research. In the alternative, data from *Nigeria Insurance Digest* of the Nigerian Insurers Association became relevant.

The domestication policy is growing the market not as expected, going by the data gathered so far. However, the policy has the potential of accelerating growth in the market if the recommendations made are applied by the market operators. As a work-based research this study has investigated the challenges of domesticating oil and gas risks underwriting by looking at the problems confronting the industry. Oil and gas products (or petroleum products) are the major source of revenue to the

Nigerian economy, yet the Nigerian insurance industry dis not benefited from the sector until recently through a government directive. What can be done by practitioners to get the insurance industry benefit from the sector?

5.4.1 Implications for My Practice

I have been involved in the application of Local Content Act in our company from the perspective of marketing oil and gas companies to increase income and participation. When such businesses are brought to the company, the Technical Unit underwrites them. The company is also growing oil and gas capacity underwriting by having a dedicated unit called Special Risk Department. My role is part of the larger roles of the industry, to stimulate growth in the sector from my office. This leads to higher income for companies, which we are already experiencing. Efforts are on by my company to increase its capacity and I am willing to assist any of the smaller players who may need assistance in increasing their own capacity also. This I have made known to the Marine Office Committee. In the same vein, I have purchased some technical books on oil and gas insurance I donated to the Marine Office Committee. I also suggested to them the need to have a small library that would be of benefit to all the members.

The findings from this project will help me to sensitize the Nigerian insurance market on how to develop the market capacity based on realities on ground and not mere speculations as is currently the case. The findings would be made accessible and available to members of the Marine Office Committee of the Nigerian Insurers Association. It will also be published in relevant local and international insurance journals.

I intend to work with some of the local insurance companies to enable them to set up pools which will help them participate fully in underwriting of the oil and gas insurance in line with the local content regime. I am studying the current oil and gas pool, and I have suggested to the managers the need for overseas' technical training for personnel, especially in the UK market or at Swiss Reinsurance, where there are experts. Also, I have suggested, through my company, the need to increase the capital base of the pool, though a technical pool, which means that its share should be subscribed by insurance companies alone. We can still be a little innovative, through having a modified pool that could also tap capital from outside the insurance industry.

The research emphasizes the need for manpower development so that the local capacity could be improved upon. In this area, I feel that the Chartered Insurance Institute of Nigeria should have oil and gas insurance as one of the subjects in the professional examinations. Local experts should be drawn and given the mandate of developing the syllabus and course for the programme.

There is also the need for more training, workshops and seminars in developing the local manpower for the Nigerian market. In this regard, I will prompt the trade associations in the market through letters to organize these courses for their members. Every professional in the market needs the training to function more effectively in the scheme of things under the local content regime.

I will also contact some of the major stakeholders, such as the Nigerian Insurers Association, the National Insurance Commission and the Nigerian Content Development and Monitoring Board, on the results of the findings so that they review their strategies in ensuring the success of the Local Content Policy. For the Nigerian Content Development and Monitoring Board, there is need to review its strategy with regard to the insurance sector.

There is the need to further draw attention to the warning of scholars like Yerokun (1997), who asserts that the Nigerian Content Law was passed for many reasons, principally to capture and arrest the inevitable capital flight embedded by lack of local capacity to transact insurance business in the oil and gas industry in Nigeria. He argues that the insurance companies require huge financial and manpower capacities to underwrite oil and gas insurance business since the share capital requirements in the operative laws did not make provisions for insurance companies to transact oil and gas business. Those companies that are willing to participate could put in place machineries for addressing these two key issues.

As I have noted, my colleagues were involved in the research; as such, they will benefit from the results of the study. I will also share the results with other stakeholders of the local content regime, since insurance is not the only sector required by the government to implement the policy. In this regard, I will send a copy of the work to the Nigerian Content Development and Monitoring Board.

Since I am involved in the market development of a sister company in Ghana, Regency Insurance Company Limited Ghana, I will equally share part of this experience with the market through paper presentations and publications in the insurance market of the country.

Lastly, I found that the Nigerian insurance practitioners agreed that the introduction of the Local Content Act along with the insurance reforms have lured and attracted foreign firms into Nigeria. The foreign companies did this to maintain, sustain and add values to their lines of business in the Nigerian oil and gas sector, partnering some domestic firms. This is one of the benefits of the Local Content Policy; it has exposed the opportunities available to the Nigerian insurance industry.

5.5 Linkages of the Literature to the Findings and Recommendations

- As earlier stated in chapter two, the claim that Local Content Act in the insurance sector has recorded success is true, but it is limited. Although the law mandates that domestic underwriter should cover up to 70% of oil and gas insurance, currently it lies between 25% and 40%. This, however, is far above the initial 5% recorded by the sector before the advent of Local Content Act (Oxford Business Group, 2016).
- I realized that the regulator stresses the need to raise the capital base, which is long overdue, to strengthen and correct the problems identified both by the professionals and academics, as stated in chapter two and supported through the findings of my study. It should be envisaged that this increase in capital base might result in lots of potential small players (due to mergers and acquisitions) and further consolidation of the insurance industry in Nigeria. Therefore, the finding that low capital base has been one of the factors hindering domestic oil and gas underwriting in Nigeria despite the implementation of Local Content Act is real.
- Furthermore, the availability of capital and funds tend to enhance the development of insurance products, as found in developed countries. Such insurance products cover mobile phones, equipment and machinery which are fundamental and relevant in developed countries.
- The recent exchange rate volatilities have further reduced in dollar terms the capital base and available funds in the insurance sector despite huge demand for oil and gas. The exchange rate used by the regulators stated the dollar to be ₦196 to the dollar; this has risen drastically to about ₦380 to the dollar, resulting in decline in the capital base of the existing insurance companies (for both life and non-life) as well as the re-insurer companies in Nigeria. The recent foreign exchange crisis further pushed

the rate to about ₦420 per dollar. Table 5.1 throws more light on this. This has weakened the insurance underwriting of oil and gas risks. This view is shared by the Oxford Business Group (2016).

Table 5.1: New Capital Base in Dollars

Category of insurance	New capital base (2005 to date) ₦	Capital base (2005)US$@ 159/$	New capital base (2005)US$ @380/$
Life	2 billion	12,504 million	32.91million
General	3 billion	18,756 million	49.35 million
Composite	5 billion	31,260 million	82.26 million
Reinsurance		62,520 million	164.53million

Source: Author's computation, 2017

- Lastly, the professionals identified likely factors militating against domestic insurance underwriting, especially in the oil and gas industry. These are lack of manpower (inadequacy of local skills), insurance regulation inadequacy, lack of innovative/insufficient insurance products, unhealthy competition in terms of prices rather than services, and inadequate protection against exposure to catastrophe.

5.6 Conclusions

In conclusion, my study has provided answers to the research questions raised and achieved the stated objectives of this study.

I have, through the research, shown that the introduction of the Local Content Policy in the insurance industry by the Nigerian government has impacted on the trend of oil and gas premium income earned by the sector in the past five years. This is in line with the objective of the research. The emerging oil and gas premium has accounted for the highest percentage in the total non-life premium in Nigeria in the recent years.

Secondly, I have also shown above that this has made a great impact of the underwriting of oil and gas risks in the country and it has enhanced the capacity of insurance companies in Nigeria to provide cover for oil and gas risks, unlike what prevailed in the past. I would like to state here that the adoption of the Local Content Act has a positive relationship with oil and gas underwriting development in Nigeria. That is, the implementation has raised the oil and gas premium in Nigeria and this doubled in 2013.

Thirdly, the adoption of the Local Content Policy has been beneficial to the insurance sector in Nigeria. However, the sector still faces some challenges. The topmost constraints faced, as ranked by the insurance practitioners, are low capital base, inadequate manpower capacity and insurance treaty.

Also, the Nigerian economy has benefited from the Act in terms of raising domestic participation of the insurance companies, increase in oil and gas premium into the sector and reawakening of insurance practitioners to attract new funds and investment into Nigeria. As stated in chapter two, the implementation of the Local Content Policy triggered capital investment into Nigeria through new ventures, mergers, and acquisition of equities in existing insurance companies. These are in line with the research objectives which are reflections of the research questions that I earlier stated in chapter one of this research.

The work-based research has given me the opportunity to find ways of helping the insurance industry to seek solutions to the challenges confronting it at present in domesticating oil and gas risks. These challenges are not insurmountable for operators to handle, although it will require some time and funds. Based on the findings of this research, the insurance industry will fully appreciate the state of development of the local content regime and come up with ways of further developing the market. The findings from the research will be disseminated to the stakeholders so that they will have the information that will help them to seek assistance that could enhance their capacity to underwrite such risks.

Some of the contributions of my research to knowledge are stated as follows:

- The study documented the operations and process of the insurance industry, particularly in underwriting oil and gas risks in Nigeria in recent times, thereby filling a gap in the insurance literature. In addition, it shows the growth path of oil and gas premium, how it is earned domestically and how it has increased drastically over time due to the adoption of Local Content Policy.
- Secondly, it focused on oil and gas insurance, which constitutes a huge part of the non-life insurance sector that has not been fully exploited or examined in the literature to the best of my knowledge and has received less attention. Most academic and professional works seen in the course of this study have emphasized the aggregated life and non-life insurance; this study departed from such studies and focused in-depth on oil and gas premium in Nigeria. This is important because the oil and gas sector plays a significant role in the Nigerian economy and has been facing challenges in recent times, such as decline in prices of oil and gas, militant activities and cybercrime.
- Thirdly, the study established a link between the local content and the insurance sector in the Nigerian context with focus on oil and gas underwriting. Also, it reiterated how the policy has transformed the insurance industry in Nigeria, especially oil and gas insurance.

- Fourthly, the study added value to knowledge in methodology by using primary data from administered questionnaire as against most studies that used secondary data. Those studies that employed the secondary data ignored or were unable to capture the views of the insurance practitioners on local content with respect to oil and gas underwriting and other pertinent issues affecting the insurance industry in Nigeria.
- The continuous fall in oil prices will significantly affect Nigeria because we depend largely on the oil and gas export and revenue. This affects oil and gas operations and the implementation and working of the Local Content Act, as oil majors are unable to meet the cost of production easily and are threatened with operational and market risks.
- Insurance practice is global, but it must encourage and give small and domestic companies opportunity to grow. However, this notion has negatively led to the death of most infant companies and the emergence of domestication, but the caveat is that insurance operators should be free to spread their risk, as postulated by the spread risk theory earlier mentioned. The Local Content Policy negates this principle. This can be remedied using reinsurance treaty with foreign reinsurers.
- There is less regulatory and government interference in insurance practice in developed societies, but the reverse is the case in most developing countries, such as Nigeria. This is so because most governments have personal stakes either in the insurance companies or oil and gas companies or both; they interfere to protect their investment or interest. Also, the regulatory institutions are characterized with bottlenecks and some procedures need to be upgraded and reviewed to the best of international practices and true realities in the Nigerian context.

5.6.1 Recommendations for Stakeholders

This research examined the readiness of the Nigerian insurance industry in the localization of underwriting of oil and gas risks in Nigeria. My findings from the research would be useful to the market, as the study has provided information that could assist the market to grow its local capacity to underwrite the risks. Based on the study, I make some recommendations for the relevant stakeholders –regulators, practitioners and clients.

The recommendations are divided into two, which are specific and general recommendations. The specific ones will be directly related to my findings from the analysed data. The general ones would be useful to the industry based on the theme of the research.

Specific Recommendations

1. The introduction of the Local Content Policy has helped in boosting the capacity of the Nigerian insurance industry. However, the government should put in place a time frame, a period of ten years from now, to discontinue with the policy, as it goes against the more internationally accepted principle of globalization.
2. The operators should invest more of the additional earned premium income from the policy in developing their insurance fund and human capital and strengthen their reinsurance treaties, which will naturally enhance the capacity of these companies to underwrite oil and gas risks with necessary government compulsion.
3. The industry should use the additional income also in developing its capacity in the underwriting of other classes of insurance.

4. As a result of the challenges that operators faced and are still facing in the implementation of the Local Content Policy, particularly the general underwriting of oil and gas risks in the country, the Nigerian Insurers Association, the umbrella body of the operators, should create an Oil and Gas Insurance Committee, which, like its other technical committees, will be of great assistance in the development of oil and gas insurance technicalities in the country.

   Also, the Nigerian Insurers Association should put in place machinery for the development of skilled manpower for this class of insurance. The operators should endeavour to expose their staff both to local and overseas training so as to develop their capacity to underwrite oil and gas risks effectively.
5. From my interactions with some of the participants, I hereby recommend that oil and gas should be separated from the Marine Insurance Department, as is the case with most of the companies in the market today.

General Recommendations

Regulators

- I am suggesting that the regulator (NAICOM) should create a regular forum where all stakeholders would meet to further deepen their knowledge and implementation of the Local Content Act towards the overall benefits and enhance underwriting in a more volatile sector, such as oil and gas, aviation and maritime industry.
- There is the need for collaboration among academia, the regulators and the practitioners, particularly with a view to implementing the Act in line with global best practices and economic realities in Nigeria without

violating the conventional rules of spread risk principles. Also, through collaboration, the stakeholders can write to the National Universities Commission on the update and review the insurance curriculum to reflect current realities to present future manpower for oil and gas underwriting in Nigeria. Therefore, there should be a smooth and swift synergy among the practitioners, regulatory agencies and oil and gas companies.

- For the regulator to effectively implement the Local Content Policy, companies should create a unit for oil and gas (special risks) and strengthen it with trained and qualified personnel so that they can superintend the large number of practitioners. This further requires a large manpower in terms of number. The regulator should come up with guidelines to the operators on this.
- More zonal offices should be created to enable practitioners and other stakeholders to visit the regulator's office where necessary for any clarification.
- Invitations should be extended regularly to experts in the developed insurance economies to come in to partner and train practitioners.
- A regular review of the content of the Act with the Board should be taken with utmost seriousness to reflect current realities and changes and give priorities to highly vulnerable sectors and industry.
- A course on underwriting oil and gas should be introduced by the Chartered Insurance Institute of Nigeria (CIIN) to improve the professional knowledge of practitioners on the subject and how to underwrite such risks and risks attached to the industry.
- Practitioners who are seen to be exceptional in compliance should be commended so that others can follow suit.

Practitioners (Insurers, Brokers, Reinsurers and Loss Adjusters)

1. Dedicated departments for oil and gas should be created in companies. This would enable sound training and development in these departments to take place and portray existence of experts before clients.
2. Companies should increase their capital base to engender greater patronage from oil and gas companies. This will build confidence on the industry for patronage from the oil and gas companies in the country.
3. Companies should improve their expense-to-income ratio so as to demonstrate before the client prudence in the management of companies. The public sometimes believe that undue amount goes for company expenses to the detriment of reserves –profit. This is very important and should be noted.
4. There should be compliance with government statutory payments, such as taxes and levies. Prompt payment of these items demonstrates good corporate responsibility. Non-payments and delays could mar the image of such companies. Sometimes names of defaulting companies are published in the dailies. This affects their image and income.
5. The small players should set up a pool to enable them to participate effectively in the underwriting of oil and gas insurance business. The pool to be set up should be in line with the Nigerian Liability Pool. Unlike the other pools, including the one on oil and gas, this has an administrative structure in place. A company would need to be appointed to oversee its operation, to enable it to succeed.
6. The Nigerian insurance market should put in place structures for the development of the manpower need of the market for oil and gas

insurance business. All stakeholders should be involved, and companies should sponsor their staff for overseas training. Practitioners who could afford it could sponsor themselves for such training.

7. The Chartered Insurance Institute of Nigeria should introduce Oil and Gas Insurance as one of the subjects, even if it is elective, for the Institute's professional examinations. This will go a long way in encouraging studies for the intending potential professionals in this field.

8. There is need to set up at least two more reinsurance companies in the market to increase the reinsurance treaty capacity, which is a basic requirement to the market to underwrite and retain risks locally and effectively.

9. The operators should employ technical experts like petroleum engineers, mechanical engineers and other scientists that would help them to appreciate and understand this form of risk.

10. Professionals should be encouraged to share their market experience through writing and publishing in technical journals in the market as well as both local and national newspapers.

11. Practitioners should seek enlistment with credible independent rating agencies and be rated. Clients often seek rated companies for patronage.

12. Developments in the industry should be published regularly to acquaint practitioners with current trends.

Clients

1. Oil majors will often prefer to insure with their home country insurers or in developed economies. By such desire, they are quick to write off local

insurers who are not rated and do not meet up with minimum standards, such as capital, solvency margins.

2. Managers of some oil companies lack expertise. This situation leads to R• mr advice to their management in their patronage of indigenous insurance companies. Schedule officers should have formal training in insurance.

3. In the interest of the country in which they operate, they should seek confirmation and knowledge of government policies as they relate to insurance.

There is evidence of improvement in the capacity of Nigerian insurers to meet their claims' liabilities. So, the clients should take note of this and insure their risks locally.

Following the findings and conclusion reached, the gaps identified are addressed as follows:

- <u>The challenge of trust</u>

  Trust from Nigerians towards buying insurance policies, claims settlement and life protection policies from Nigerian insurance companies has made it difficult for most individuals and organizations to patronise them. Similarly, distrust affects the oil and gas companies with regard to patronize local insurance companies. A change in value system is, therefore, a must for all stakeholders.

- <u>Study on the Aviation and Maritime Sector</u>

  It has been advocated that a similar study needs to be carried out to extend the argument of this study to other highly sensitive and capital-intensive sectors to underwrite insurance in Nigeria, such as the maritime and aviation sector. Therefore, there is need to establish the challenges as well as the impact of Local Content Policy on the aviation and maritime sector in Nigeria. As a capital-intensive and high-risk sector, similar to oil and gas, there is need for a deeper study to enhance the benefits to the country and industry.

- <u>Operation of Local Content Policy in Some African countries</u>

  Selected African oil and gas exporting countries and how the adoption of Local Content Policy has influenced their insurance sector performance made it imperative to exchange ideas for the benefit of Nigeria. Also, there should be a regulatory framework in terms of powers of regulators, tenure and appointment. The Act is due for review, which must also be done with participation of stakeholders.

  There is the need to call all stakeholders and also learn from all other countries how their Local Content Policies have been effectively practised.

- <u>Restiveness in the Niger Delta Region</u>

  The use of the carrot-and-stick approach on militants in the oil-producing areas of Nigeria stabilizes and increases production. It further enhances the income of insurance practitioners. Some governments were able to reduce the restiveness. This stabilized the oil industry. With high oil price, oil companies grew their income, and this positively grew insurance income too. The reverse will be experienced if price fall too.

- Regulatory Challenges

The industry, through a study group formed by Nigeria Insurers Association, should determine how government will enforce all compulsory insurances and pay for all its insurances too. This will boost income in the insurance industry. Adequate enlightenment and support should be given in this line of practice, coupled with lobbying the legislature (the National Assembly) to include insurance in the budgets of government agencies.

Linking recommendations to findings and research objectives.

	Objectives	Findings	Recommendations
1	To assess the trends of oil and gas premiums earned in the insurance sector in Nigeria	The oil and gas premium earned was zero until 2006. The adoption of Local Content Act raised the oil and gas premium. The type of risks associated with oil and gas operations were identified.	The government should strengthen and encourage more domestic participation in the industry, especially in the oil and gas. Organisation should dedicate a desk or department for oil and gas insurance.
2.	To examine the impact of Local Content Policy in the oil and gas underwriting in Nigeria	The trend showed the Industry is male dominated constituting about 55% which shows gender biased nature. The policy enhanced oil and gas underwriting in Nigeria. The Local Content Act has encouraged human capacity building, attracted foreign capital inflow and thereby reduced capital flights for Nigeria. The Local Content Policy, in spite of increasing capacity, would require government to put in place a time frame to discontinue the policy as it goes against the more internationally accepted principles of globalization. Attracted foreign insurance companies into Nigeria	Encourage female participation in the industry and make education for girls compulsory to allow growth of human capacity. Government should ensure strict compliance.
3	Identify the factors preventing Nigerian insurance companies from underwriting oil and gas	Inadequate capital base Lack of personnel with skills in the oil and gas risks Lack of technical know-how	Recapitalisation of the insurance industry. Review insurance courses curriculum in universities and

	fully	Reluctance to join oil pool from practitioners	collaborate with foreign institutions. Increase reinsurance companies.
4	Examines the contributions of insurance in the economic development of Nigeria.	Employment and income generation; Insurance has mobilised capital and has led to reduced unemployment through further investment.	Government should include insurance in their budgets. Insurance education to deepen insurance patronage.

My recommendations go in line with my findings to support the objectives of my research, as detailed below:

I

- My findings show that there is cooperation among practitioners, and further collaboration between academia and regulators will give an opportunity to see through a positive synergy to tackle all challenges. This will reflect current realities for the future development of the sector.
- Dedicated departments for oil and gas did not exist. These exist now and will increase specialisation, which improves knowledge on risk and how to underwrite such in a better form for greater patronage.
- The trend showed that the industry is male-dominated (55%), which shows gender bias. This is linked to the history of the industry and currently manifests in managerial positions. Female participation in the industry should be encouraged.
- The future of oil and gas, which currently shows a desire for domestication, is gradually shifting even in countries that strongly advocate it. The catastrophic hazards that took place globally, with $32 billion losses recorded between 1990 and 2007, serve as a cautionary tale. Reinsurance across the globe on risk is now the trend. The same goes for the future of oil and gas in Nigeria, where huge capital in dollar terms is inevitable.

II

- Data analysis showed that, until 2006, indigenous insurance practitioners did not enjoy patronage. However, the Local Content Policy paved the way for greater participation for all domestic practitioners. There is a need to enforce the policy for its continuation.
- Practitioners are now conversant with and have embraced the Local Content Policy, which is to their advantage. A deeper knowledge and understanding of the policy will engender further participation.
- The Local Content Act has encouraged human capacity building, attracted foreign capital inflow and thereby reduced capital flight for Nigeria. Greater and deeper participation has led to increased income for practitioners to build capacity and attract foreign technology. This should be encouraged as it would reduce outflow in foreign reinsurance payments, thereby reducing capital flight.
- The size of insurance companies also grew in terms of capital, which is a benefit from the Local Content Act. Policy objectives of government should continue to attract foreign investment in the critical sector.
- The Local Content Policy, despite increasing capacity, will require the government to put in place a time frame to discontinue the policy, as it goes against the more internationally accepted principles of globalisation.
- Operators are still faced with implementation of the Local Content Policy. An oil and gas insurance committee (a technical arm) is advocated to assist in the development of insurance technicalities in the country.

III

- Capital is key, and there might be a need to make capital risk-based and encourage more mergers with foreign capital inflow.
- Data collected from 22% of the respondents showed that manpower is a key challenge to underwriting oil and gas risk, whereas 80% of the respondents viewed capital as the factor responsible for this.
- Even though operators have also grown higher premiums over time, they should invest additional earned premium income from their policies in developing insurance funds, strengthening their reinsurance treaties to enhance capacities for the company to underwrite oil and gas risk. They should also use additional income to develop their capacity in underwriting other classes of insurance.
- A special risk desk has been created to strengthen specialisation for the regulator to effectively implement the Local Content Policy (to strengthen technical operators). Companies should create a unit for oil and gas (special risk) and this should be strengthened with qualified and trained personnel so that they can superintend the large number of practitioners spread across the country. The regulator should also provide guidelines to operators.
- With increased capital base, the sector can attract patronage from other West African countries and make Nigeria an insurance hub.
- Given the reluctance to join the oil pool from practitioners, small companies should set up a pool to enable them to participate effectively in underwriting oil and gas insurance businesses. This should be similar to the Nigeria Liability Pool, which has a good administrative structure.
- The number of reinsurance companies reduced to two after the consolidation exercise in 2007. There is thus a need to set up more reinsurance companies

to increase insurance capacities. This will increase patronage and retention of bigger risk.

IV

- In West Africa, the Nigerian insurance sector is the most capitalised in terms of size and number.

  This requires the insurers to invest reserves and surpluses in developing programmes in companies and the educational sector that can bring other practitioners from West African states to attend insurance developmental programmes. This serves as foreign exchange earnings in the fees participants are charged. This deepens knowledge and leads to knowledge sharing to contribute to personnel development. This trend should be encouraged.
- The capitalisation exercise of 2007 created mergers and these partnerships increased innovation in technology and capital inflow into the economy.
- Nigerian insurance companies declare huge profits, but companies should reduce their expense-income ratio to generate bigger reserves. These accumulations of profit would create bigger investments for the economy.
- Insurance has mobilised capital and has led to reduced unemployment through further investment. The insurance Act stipulates the percentage of funds that should be invested in some sectors of the economy.
- Government regulations penalise oil and gas companies over infractions, thereby creating income from fines, which ultimately compels them to comply. Such compliance gives greater opportunity to domestic underwriters for greater participation in the economy.

- Domestication as entrenched in the Local Content Act has increased indigenous participation. Regulators and practitioners should not lose sight of over-domestication at the expense of globalisation in view of the high volatility and risky nature of the oil and gas industry.

5.7 Contributions to the improvement of the Nigerian Insurance Industry.

<u>Trust</u>

Trust is key in all human endeavours. Trust is needed among insurance practitioners; between the state, practitioners and the populace; as well as between intending policy holders and insurance companies.

Budgets from government are meant to re-inflate the economy and this commences with the release of budget in January. Oftentimes, it is passed late, beyond April. The Nigerian government, being a major spender, affects other stakeholders' planning and this raises doubts over the certainty of government. In developed countries, such as the UK, policy holders trust insurance companies and pay premiums because insurance companies will protect their risks and honour claims.

Mutual distrust also exists among insurance practitioners. They do not share information for fear of others using it to snatch their clients; they also do not synergise in the area of facultative insurance, a situation that enables an insurance company to cede some of its businesses when its capacity is exhausted. Rate cutting is a situation whereby company A accepts a business at a profitable rate and cedes the same to another insurance company at a ridiculous rate, which is not profitable.

Manipulation of the stock market is to the detriment of potential investors, as stocks and shares are sometimes overpriced.

Published accounts do not represent what they portray on paper.

Salient information that will aid stakeholders to guide them for decision-making are either deliberately omitted or published late.

There is a need for strong corporate governance enforcement with appropriate penalties to erring companies.

As a result of distrust, foreign insurance companies or foreign affiliated insurance companies are patronised more than indigenous companies by multinationals, on account of being familiar with their parent companies overseas. This reflects positively on their affiliates or subsidiaries in Nigeria. An example is Prestige Assurance Plc., which is an Indian company. The Indian community patronise them first before considering other local insurance companies. There is need to change this perception by practitioners being innovative and providing good service delivery at lower premiums without compromising performance.

Illiteracy, Culture and Religion

The illiteracy level in Nigeria is high. The informed and formal sector that has insurance education is low. Only the informed sector contributes fairly to the insurance sector and this enhances standards of living. When properties are gutted by fire, a trend for local markets in Nigeria, no compensation is paid because they are not insured. Residential apartments are equally not insured. In developed countries, housing associations build premiums into rents to insure markets and properties.

A benefit of insurance is that claims are paid to claimants to put them in their former positions to continue their life. This guarantees living and growth.
Social menaces such as robbery, touting and poor living, are a result of poor health. Illiteracy makes youths unemployable.

Culture has affected women in some societies such that only the men are given opportunities for education and girls are married at early ages. This reduces the percentage of girls who are educated and can contribute to the educated workforce.

Some religions do not believe in insurance; therefore, insurance in such communities is zero. When any member of such communities heads an organisation, such beliefs are brought to bear on the operation of the organisation. This further reduces the chance for insurance penetration.

There is need for insurance education, teaching Western education and making education compulsory for all. This will create an enlightened society that will avoid restiveness, as obtains in the Niger Delta. This will make the people employable, which will increase their standard of living.

Review of Local Content Act and Government Policies

The Local Content Act was enacted in 2010 with the expectation that the insurance industry would insure 45% of oil and gas risks by 2008 and 70% by 2010. The findings showed that the industry has not been able to retain beyond 35% of oil and gas risk locally.

Provisions made in the Act for the benefit of indigenous insurance companies include:

(a) They will contract all their legal and insurance services to Nigerian law firms and insurance companies. Only where the regulator – National Insurance Commission (NAICOM)– states there is the lack of capacity by the insurance industry shall such be placed overseas.

(b) Labour Clause Provision – This stipulates that all projects or contracts with implementation cost $100M and above must contain a ‘Labour Clause’ that employs Nigerians. It also stipulates that Nigerians shall occupy all junior cadres’ positions.

(c) Special Fund – All contracts awarded makes provision for 1% to build capacity and capability for the sector.

There is a need to enforce compliance with, and possibly review, the Act. As good and feasible as the Act appears, the lapses inherent in it have weakened and frustrated its implementation. Some of the pitfalls identified in the Act include the following:

The Act is poorly drafted and is too vague in nature which has weakened its implementation (Nwakoro, 2011). Also, key players in the oil and gas sector are not carried along with respect to the steps and procedures of the application as well as the obligations on the operators. Also, these obligations are not stringent enough. This further makes for abuse of Companies and Allied Matters Act (CAMA) consistently by operators of the Local Content Act, which expects Nigerians’ stakes in floated companies to have not less than 51% of equity shares. It, therefore, follows that future Acts should receive participation of stakeholders for their success.

The oil and gas sector accounted for nine activities that resulted in losses among the topmost 20 incidents in 2013. This positioned the oil and gas as one of the non-catastrophe top losses in 2013, accounting for about $3.2billion and 40 per cent of the top 20 total losses, as well as being one of the largest insured losses on the 2014 list. The oil and gas sector (energy) claimed the highest average value of claims of €20.8million and it cut across the energy line of business (Bigliani, 2013; Allianz, 2014). Therefore, the government and all stakeholders need to consider that with total domestication, a situation is produced where a simple catastrophe can wipe out the entire industry.

The Act is due for review. The government did not have a true picture of the capacity of the practitioners, neither did it seek their input at the drafting stage. The regulator, the National Insurance Commission (NAICOM), lacks the requisite resources and manpower to deepen insurance education/enlightenment and enforce some areas, such as compulsory insurance. Compulsory insurance is retail in nature and could pull large streams of premium income.

The government, through a circular dated 22nd February 2001 and 21st July 2008 and signed by the Secretary to the Federal Government (SGF) ordered insurance of all government assets, but it is yet to comply with its own directive. The government owes premiums. There is, therefore, a need for separate budgets for insurance in federal budgets. Governments at all levels (local, state and federal) need to insure their assets and properties.

The insurance industry should be part of the review process and this should be done at regular intervals, of five years. This will make it relevant to current realities.

The executive, the legislature and the judiciary have not provided a policy directive and national goals. This makes it difficult for investors and companies to make long-term plans. For example, the Petroleum Industry Bill that has not been passed by the National Assembly over the years as well as alleged non-prosecution of some managers of the economy for corruption do not give promising signals for long-term planning and investment in the country. The government needs to be firm, prosecute offenders and make the economy promising to would-be investors.

Evidence-based Data

Accurate data is critical to planning. It follows that data must be reliable and dependable. Sources of data must, therefore, be credible. Dependable data is a challenge in Nigeria, particularly for the insurance industry and the financial system as a whole.

On the national level, the accurate population of Nigeria is still in doubt. Whilst some say 160m, others say about 180m. The last population census conducted was in 2006.

In the insurance industry, publications from the Nigeria Insurer Association (NIA) and National Insurance Commission (NAICOM) are too late to use as data.

Pronouncements by some government officials are doubtful. A government official claimed that Local Content Act has achieved 75% in Nigeria (in the press) without evidence, and this figure appears to be misleading in light of this research.

Investors visit websites to get information about agencies or organisations. In most cases, these websites are not updated or are totally inaccessible.

Data also are sometimes politically generated. Federal allocations to states are guided by population, amongst other criteria. These are exaggerated for the purpose of attracting more allocations.

Statistics and data are sometimes misleading. In 2000, banks in Nigeria were believed to be strong in the public domain until the Central Bank of Nigeria (CBN) compelled mergers by raising the capital base to ₦25 billion. Some banks, such as Savanah Bank and Commerce Bank, folded. Investors in banks lost valuable shares, prices of stocks shrunk, and values were lost. These were data relied upon to invest. Data from developed societies can be relied upon.

Serious infrastructural deficits exist. Information provided to be relied upon for investment does not support what is finally found. For example, assurances of the availability of potable water even in cities in export processing zones do not exist, in addition to minimal power. Investors have to provide generators to power their activities and sink boreholes.

There is need for policy makers to be accurate in the information and data provided so that investors' capital is not lost. This affects the image of a country such as Nigeria, its financial system and the insurance industry, to which I belong. The human and technical know-how may not be relied upon, and so should be reviewed.

Evidenced-based data is crucial and of importance in any human endeavour. Such credible data attracts patronage.

5.8 Areas of Further Studies

In view of the above findings and conclusion, I hereby make the following suggestions for further studies:

- The challenge of trust from Nigerians towards buying insurance policies and claims settlement, as well as life protection policies on Nigerian insurance companies makes it difficult for most individuals and organizations, most especially the oil and gas companies, to patronize local insurance companies. A study can be conducted on it.
- A similar study needs to be carried out to extend the argument of this study to other highly sensitive and capital-intensive sectors, such as the maritime and aviation sector. This will reveal the challenges as well as the impact of Local Content Policy on such sectors.
- This study can be extended to selected African oil and gas exporting countries to determine how the adoption of the Local Content Policy has influenced their insurance sector performance, and the regulatory framework in terms of powers of regulators, tenure and appointment.
- There is the need to study how to use the carrot and stick on militants in the oil-producing areas of Nigeria to stabilize and increase production. This will further enhance income of insurance practitioners. The viability of this can be the focus of another study.
- The industry, through a study group formed by Nigerian Insurers Association, should determine how government will enforce all compulsory insurances and pay for all its insurances too. This will boost income in the insurance industry. A study can be conducted along this area.

5.9 Limitations of the Study

Research work:

1. I must note that, during the research, some respondents did not want to contribute on the grounds that they were not benefiting anything from the government and were merely paying taxes; and some who contributed did so grudgingly, without providing sufficient information needed.
2. I encountered some challenges in obtaining requisite data from insurance associations, such as Nigeria Insurers Association.
3. It must be noted that published data for use from the Nigerian insurance industry were outdated, a situation that did not help in getting very recent data. This is part of the developmental problems in Nigeria, which affects a researcher's ability in carrying out researches on topical issues in the country.
4. Respondents who were my colleagues had the fear that data provided might be used to rather grow the company of the researcher at their own expense.
5. Managers in many participating organizations delayed a lot in getting clearance from their superiors until I got in touch with their superiors directly and Nigeria Insurers Association.
6. I had some challenges in the transcription of the recorded data for use in the research; in certain situation I had to revisit some respondents for clarification.
7. Some few trips were embarked upon to Bayelsa State, where militants were dominantly operating, and that was life-threatening; and there was unwillingness on the part of the agencies' personnel to grant one-on-one interviews and release information.

8. Insurance Desk Officers were not readily available; and where they were, they were not ready to give all the information required, for fear of releasing same to their competitors by researchers.
9. Some respondents found it unnecessary to provide information required, for they did not see any good reason for such a study.
10. Some of the respondents did not have sufficient contextual knowledge of the industry; this affected the depth of information they provided, causing a little delay in data collection processes.
11. My Consultant, who is a busy insurance consultant in oil and gas, was not readily available for discussions.
12. This study administered the questionnaire manually as against the anticipated survey monkey because most of the respondents complained about the problem of the Internet, availability of electricity and inaccessibility to their official mails after work. This forced me to adopt the paper type, which was very tedious and time-consuming.

My concluding part, chapter 6 is to produce a reflective account of my professional journey so far and further areas of study that may need attention.

CHAPTER SIX

A REFLECTIVE ACCOUNT OF MY PERSONAL LEARNING AND PROFESSIONAL JOURNEY

6.1. Introduction

In this chapter I provide a reflection of my personal learning from the programme and while carrying out the research which is work-based. Also, I will state the achievements in undertaking this study based on personal reflection.

It is important that I start this reflection from the time I embarked on my RAL Claims. One of the things that I noted in my RAL was that working as a team helps organizations to achieve more than could have been individually achieved. This I learnt at Associated Surveyors and Adjusters, which was my entry point into the Nigerian insurance industry. However, I also learnt that marketing is the pivot for the survival of an organization and this was my key learning taken from the broking sector of the insurance industry.

I will equally note here that my research engagement has assisted me to come to know and appreciate the Nigerian insurance industry better in terms of regulatory role and industry data management. During my discussion with my colleagues, I discovered that the majority of them were as worried as I about the low earning and capacity of our industry to underwrite effectively oil and gas risks. The interesting point is that many of them were equally interested in what could be done to increase the capacity of our industry to underwrite complex risks, such as oil and gas, aviation and marine risks.

Ironically, most of the practitioners were suspicious of one another, which resulted in the problem of not sharing sufficient and rich information among ourselves, which could have assisted the industry to develop its underwriting capacity and experiences. Some of the practitioners in our market believed that sharing information with their counterparts/competitors would lead to losing their business to their counterparts or such could lead to their being de-marketed or their client stolen by their competitor. Colleagues and regulators were sceptical and unwilling to let go of the information at their disposal.

The above notwithstanding, some of my colleagues, right from the inception of my research, pledged to support me in whatever form that I would require from them to see to the successful completion of my project. They believed that the outcome will be useful and a good contribution to the development of the industry, especially in domestic oil and gas underwriting.

6.2 Reflections on the Work-based Research Process

A good reason for a work-based research is that it affords the researcher-practitioner the opportunity to reflect on his work activities and encourages him to carry out these activities better, which is known as reflexivity. My understanding of reflexivity, from the point of view of Dupuis (1999), is that it is a continuous, international and systematic self-introspection. Mautthner and Doucet (2003) warn that the literature in research methods has been relatively silent on practical steps for achieving it. Reflexivity is a concept which describes the relationship between the researcher and the subject matter of research (Brannick and Coghlan, 2007). Ryan and Golden (2006) claim that reflexivity has been applied to the collection of qualitative data. Gray (2009) notes that it involves the realization that the researcher is not a neutral observer. Based on the idea about reflexivity, I came up with the following during my study. I am not a bystander in this affair as I will show below.

The efforts by Nigerian government towards the implementation of the Local Content Act vis-à-vis the domestication of insurance of oil and gas have the support of the indigenous insurers. I expected the government to have made provisions and given the local insurers specified number of years to mobilize resources and capacity to be able to play effectively under the Local Content Policy.

The fear that the implementation of the Local Content Policy will hinder the international spread of risk could be overcome using structural reinsurance treaty between the local players and foreign reinsurance companies. In this way, the local operators will be made to retain a high portion of the risks locally in support of the Local Content Policy.

Concerning the high cost of capital to meet the Local Content Policy needs, Nigerian companies should strive to increase their capital base either through placement from the local market or from foreign investors.

Also, the Nigerian government should intensify efforts at guaranteeing production of oil. It should also increase same in the volatile areas to boost the income of oil companies and by extension, insurers.

I was amazed that some insurance personnel connive with both the foreign insurance companies and the oil companies to subvert the policy. This is preventing the Local Content Act from achieving its full potential in the insurance sector. This is expected but the regulator should work harder to ensure that the policy is well implemented based on the realities on ground.

I am not an outsider in the context of this project since I am involved both as a marketer and a technical practitioner in the implementation of the local content regime, particularly in my place of work. As Costley (2010) has rightly observed, there is a great deal of interest from managers in undertaking professional doctorates and many of these doctorates focus on their professional work. This applied to me as a researcher who enjoyed such interest throughout the time I spent carrying out the DProf programme.

My objective in carrying out this research was to show how the operators in the Nigerian insurance industry could benefit from the Local Content Policy of the government that requires that 70% of the oil and gas risks be insured domestically. The project started when I wrote letters to some of the key stakeholders informing them of my research and asking for their assistance (See Appendix 1). I also went personally to the Local Content Office in 2012 to obtain the materials I could get from them for the research. I equally visited our regulator, National Insurance Commission (NAICOM).

The exercise was fulfilling and worth the time spent in carrying it out. There is still a lot of work for the Nigerian insurance industry to do if it seriously deserves to achieve the aim of the Local Content Policy. This study has also helped to further encourage my colleagues at Regency Alliance Insurance Plc. to note that there are lots of opportunities for us to grow our company through the adaptation of the local content philosophy and using same in our operations.

I ensured that the ethical requirements for a project of this nature was met and kept. The data for the project generated through the administered questionnaire were collected from my colleagues based on their concept and the confidentiality of the collected data.

The DPS 4561 handbook and Module Guide were very useful as guide on how to go about the exercise, especially in planning the research. This made it easier for me to manage my busy schedule effectively.

The work-based research has assisted me in understanding the industry where I have been operating over two decades better. A critical issue on professional practices, especially in insurance, is the lack of updated data and information. This has become worrisome with frequent request and documentation from the regulatory agencies of insurance companies. This leads to a situation where senior officials could make far-reaching statements without having the requisite data and information to back up their claims. This is the situation with the official claims of the success of the Local Content Policy with regard to the insurance sector when the sector still has a lot of challenges confronting it for the policy to be a success.

This programme has been of great benefit to me as a researcher, manager and marketer in broadening my knowledge in insurance practice in Nigeria, especially in oil and gas, and identifying the challenges inherent in underwriting oil and gas risks. In addition, the issues of data and information amazed me and raised a serious concern because in other countries data are crucial for planning and strategizing; it is upon correct data that countries and organizations are built. To use the words of another student that had undergone this programme, "the work-based approach was beneficial as I was not a 'professional researcher'… contrarily the researcher was a 'researcher professional' at ease in its own practice. This is one of the benefits of a work-based project, and it must be added that the research was underpinned by a rigorous doctoral programme of study" (De Rossi, 2010).

6.2.1 Sharing and Disseminating the Outcome of the Work

I will send a copy each of the research work to the following stakeholders in and outside the Nigerian insurance industry:

1. National Insurance Commission
2. Nigerian Content Development and Monitoring Board
3. Nigerian Insurers Association
4. Nigerian Council of Registered Insurance Brokers
5. Marine Office Committee
6. Institute of Loss Adjusters of Nigeria
7. The Chartered Insurance Institute of Nigeria

I will get the findings published as articles in local and national newspapers as well as insurance journals as a way of sensitizing the market on the challenges of the local content not just to the insurance sector, but also to all the sectors affected by the policy of government. I will equally continue to provide assistance, which began with this research, to the Marine Office Committee.

6.3. The Whole Picture: Professional Knowledge

It was my desire for self-professional development that prompted me to enrol for the DProf programme at the Middlesex University, believing that I would achieve my set goals at the university. Based on my review of the university's programme for professional development, I concluded that my zeal to update my professional practice and knowledge will be fulfilled at Middlesex University. I must state that I do not feel that I took a wrong decision.

My motive for engaging in the programme as an insurance executive from a developing country is that I knew the new knowledge acquired from this programme would help me and other practitioners perform better in our companies thereby enhancing our capacities to underwrite oil and gas risks as an insurance company as well as support government directives and desires for the indigenous companies to underwrite these risks under the Local Content Policy.

This policy of the Nigerian government is to ensure that the insurance of oil and gas risks be fully placed locally. The policy stipulates that the Nigerian market should insure this beginning from 2008 at a local capacity of 45%, which would grow up to 70% in 2010 and 100% by 2012. This desire of the government has not been met by the Nigerian insurance companies, as the capacity in 2012 was about 30%. Thus, the challenge to the Nigerian insurance market is on how it could respond effectively to this government directive, thereby increasing its capacity to underwrite the risks associated with oil and gas explorations in the country. This was the rationale for this research.

My research finding is viable, as there is a great enthusiasm by my colleagues on the need for the industry to find out ways to implement the “content” policy. This is a challenge which most operators in the market are keen to find solutions to. There are many benefits that will accrue to the industry because of the full implementation of the policy. Some of the benefits are highlighted below:

- It will create more employment opportunities in the Nigerian insurance industry, especially for graduates with engineering and allied background;
- It will help to stem capital flight arising from the payment of insurance premiums to overseas insurers on the oil and gas risks;
- It will help in enhancing the capability of the current workforce in the Nigerian insurance industry to underwrite specialized risks.
- It will make Nigeria the hub for insurance in West Africa and

- Expertise could also be exported to neighbouring oil-producing countries, such as Ghana.

I carried out this research using my deep knowledge and experience of the market acquired over the years, having been involved in the market in the following capacities:

Executive Director for 18 years

General Manager for 4 years

Assistant General Manager for 3 years

Finance/Administration Manager for 3 years

The research articulated the views of practitioners on the challenges of domesticating the insurance of oil and gas risks in Nigeria. It found some of the reasons why the policy has not succeeded since its inception. This research intends to, like Lewis Carroll's Alice in Wonderland, persuade the practitioners to change their perceptions of their experience radically and motivate a paradigm shift in the attitude of the local market in underwriting oil and gas risk in line with the Local Content Policy.

In carrying out the research, I examined the theories of experts on the subject. Theory is essential in carrying out any research. Theory, according to Kerlinger and Lee (2000), is a set of interrelated constructs (concepts), definitions and propositions that presents a systematic view of phenomena by specifying relations among variables, with the purpose of explaining and predicting phenomena. Theory underscores practice; so, we cannot examine practice effectively without looking at theory.

In this regard, I explored the range of theories for this form of research. The challenge is how to get a better theory from the universe of theories available to mankind. This has been a problem, according to Crotty (1998), judging from the bewildering array of theoretical perspectives and methodologies, but the fact that terminology applied to them is often inconsistent. There is interrelationship between the theoretical stance adopted by the researcher, the methodology and methods used, and the researcher's view of the epistemology – that is the objectivism, constructivism and the subjectivism (of the research).

The following questions are pertinent

Do I really understand the research problems truthfully?

Truly, do I have sufficient knowledge to carry out the research?

How can I improve my understanding of my practice truthfully so as to contribute to the developments in my company in particular and my industry, in general?

Coming from a business background with various forms of training in United Kingdom (UK) in oil and gas insurance, I could group my knowledge as containing more of professional craft knowledge and personal knowledge than propositional/theoretical/scientific knowledge. I do not need to be a petroleum engineer to know the intricacy surrounding oil and gas risks generated from oil and gas exploration. As an insurance professional, I am trained to learn to appreciate how risks are generated from various industries to offer insurance solutions to such risks. This type of knowledge is based on deep 'existence' of practice which is based on the ontological contexts. This knowledge was acquired through long theoretical learning and practical experience as an insurance practitioner over 25 years.

Thus, at its simplest form, the purpose of this research centres on the need to generate new knowledge. The need for knowledge generation, according to Fox, Martin and Green (2007), may be undertaken for a variety of reasons, which include introduction of new procedures or empowering groups of people. This project will do both. It will encourage the Nigerian insurance industry to embark on new ways of underwriting oil and gas risks as well as empower people to do so.

The whole philosophy surrounding the work is that new knowledge should be generated to empower practitioners to solve the problems that affects the domestication of oil and gas risks in Nigeria. This may involve the writing of articles to be published in insurance journals in Nigeria on the subject, presentation of papers on local content, and so on. The essence of the project is to enhance the capacity of the Nigerian insurance industry to underwrite oil and gas risks. This will be in the form of John Dewey's Theory of "learning by doing" (Dewey, 1916; 1917). After all, the core value of theory is that it helps us to know how we could learn from the practice of our profession. This study embraces that philosophy and learns a lot in terms of the views and opinions of practitioners in the insurance industry about oil and gas underwriting in the Nigerian context.

As Habermas (2003) observes, communicative action was the original goal and moral purpose of human endeavour, as it is best based upon a process of individual of each other's "lifeworld", derived from their different "culturally ingrained pre-understandings". This means that to make the "action effective there is need for effective communication of the findings in the group", in this case, my company and the Nigerian insurance industry, in general.

It is important for me also to reveal how I will take this knowledge in my practice to the insurance industry. I intend to challenge and encourage companies to increase their financial positions so that they could have a great capacity to domesticate oil and gas insurance in the country. I quite agree that insurance involves the spreading of risks among different markets in the world especially those with huge capacities to accept risks, but all the same it is shameful and unacceptable for a market to confine itself to be a post office to the advance markets.

It is based on the above position that I would, through the knowledge that I have acquired in this study, assist in improving, the practice of oil and gas insurance underwriting in my company and in the Nigerian insurance industry. This will be extended to the Ghanaian industry, as I also serve on the Board of our subsidiary company in that market.

My findings revealed that there has been an increase in our market capacity from less than 5% to a little over 25% with the introduction of the Local Content Policy. This could grow to a capacity of 70%. This will be possible if the practitioners in the various companies are assisted to collaborate through the setting up of an efficient oil and gas pool for that purpose as well as assisting most of the companies to create their own pools in their various companies, but which must be supported by efficient reinsurance treaties that could be secured from the overseas markets,

One activity that I embarked on is to sensitize the market on the need to promote good and efficient underwriting in this sector for the multinationals, such as Shell, Mobil and Chevron that insist on best practices where efficient and reinsurance are very handy. I will work with the Marine Offices Committee in a programme which will involve me presenting papers and writing of articles in the professional and trade journals on insurance and oil and gas in country.

Since charity begins at home, I will be involved in boosting my company's capacity to underwrite oil and gas risks by working with the Executive Management in ensuring that:

1. more staff with scientific knowledge, especially in engineering, are employed in our underwriting department. In fact, my company has started this process since 2010.
2. our underwriting staff are exposed to training on the underwriting of oil and gas. I attended one in the London market, though I sponsored myself. I have proposed to management that in the coming years at least a staff should be exposed to such courses either in London or those that are run by both0.
3. 0 Swiss Re and Munich Re, in Europe.

4. As a professional I have also taken the following steps:
    1. I wrote a proposal for 2017 underwriting year, that our treaty should be increased substantially so that we can have a robust capacity to underwrite oil and gas and other complex risks.
    2. I have also made available my personal library on oil and gas insurance and other books available to interested staff, and even my colleagues from other companies.
    3. I have written a letter to the Chartered Insurance Institute of Nigeria on the need to introduce as one of their examination subjects: Oil and Gas Insurance and Agricultural Insurance. This will help the industry to develop local capacity in these two important subjects to the Nigerian nation.

Finally, as a professional, I will be happy to see that oil and gas risks are insured 100% in Nigeria. I believe that the DProf project will further enhance my understanding of insurance, particularly underwriting of risks.

6.4 My Achievements during the Study

During this study, some tasks were achieved. These are listed in this section Future tasks are also included

- Access to data in terms of formal documented materials from stakeholders other than published materials; scepticism on the part of the practitioners, bottlenecks and bureaucracy in data collection were overcome.
- It was shown that the industry has qualified and skilful certified practitioners but it is yet to have and make huge contributions in the oil and gas sector in Nigeria.
- The Act has not been reviewed since its inception since 2010 despite series of changes witnessed in both the insurance and oil and gas sectors in Nigeria. This should be viewed seriously.
- The change of the leadership structure of both the NIA and Local Content Boards over time have influenced the role and performance of both the oil and gas sectors in Nigeria. Frequent changes distort policy consistency.
- There might be a need for more supportive laws and policies to create better opportunities for the domestic oil and gas sector apart from the existing Local Content Act. In addition, the Local Content Act should be more disaggregated into various sectors of the economy, rather than the aggregated form that is modified by agencies and institutions into their sectors, which limits their implementation and performance.

- It has been observed that capital and manpower are not enough to drive domestic underwriting; re-orientation and will to be patriotic both by the practitioners and regulatory agencies could grow and develop the sector.
- One of the future plans is to collaborate with stakeholders in making presentation about the findings and recommendations of my study to strengthen the industry.
- In addition, I intend to embark on a similar study in Ghana and Rwanda in order to determine if the same challenges hold and compare the findings, taking into consideration that my company operates in Ghana and the process of establishing a subsidiary in Rwanda is in the pipeline.
- Restiveness in the oil-producing areas could be tamed with the current suggestion to allow modular refineries. This is also another insurance opportunity for insurers.
- Production sites and communities attract development and cottage industries in such areas would also attract micro insurance, thereby increasing further income of insurers.

6.5 The Practitioner-researcher as a Change Agent

I intend to encourage a comparative study to evaluate the Local Content Act particularly in Brazil and Nigeria, following the huge success of Petrobas in Brazil. This will assist Nigeria at the review stage of its Act.

Trust is a key issue in Nigeria, which prevents partnership both at local and foreign levels. There is distrust from the citizenry to invest their premiums with operators of the industry– practitioners– because of doubt in claims settlement. I will launch a thorough study and engage practitioners to find practical solutions to this.

I will also create a forum for retired and retiring insurance professionals. There will be quarterly lunch to update ourselves as and tap into the reservoir of knowledge of experts.

I also intend to collaborate with tertiary institutions that offer insurance studies in regular presentations to them to create awareness and encourage more research in this area of oil and gas underwriting.

Also, l will provide scholarship to undergraduates in the University of Lagos, my alma mater, to carry out research on oil and gas, aviation and marine as they relate to local content in Nigeria. This is to enhance human capacity building for future insurance practitioners.

In addition, l would create a special portal domiciled in my office to document events and insurance activities both locally and internationally and make this accessible as credible database for insurance in Nigeria. The dearth of credible and current data would cease in the industry. This is my desire as an agent of change

APPENDICES

APPENDIX 1

SUMMARY OF THE LITERATURE

	Author(s)	Scope	Objectives	Methodology	Variables	Findings
1.	Beenstock et al. (1988)	12 countries between 1970-1981	The effect of premiums for property liability insurance (PLI) on GNP	Cross-sectional	GNP, PLI, Income, interest rate	Premium was found to have a positive relation with GNP, income and interest rate
2.	Outreville(1990)	55 developing countries (1983 and 1984)	PLI premiums on GDP, insurance price and other macroeconomic variables	Cross-country analysis	PLI premiums, GDP, insurance price and other macroeconomic variables	He found that an insurance premium facilitates income and financial development in all the countries, while other macroeconomics variables were not significant in the cause of the study
3	Browne and Kim (1993)	45 countries 1980 - 1987	Linkages of life insurance consumption per capita and socio-	Cross-sectional analysis	Life insurance consumption per capita, dependency, inflation,	They found dependency, income and social security costs

			economic factors		income and social security costs	are positively related to life insurance consumption, while inflation is negative related
4	Hak Hong (1996)		Relationship between life insurance and economic growth	Granger causality	Life insurance ,insurance premiums tax rate, economic productivity, aggregate consumption and wealth	Life insurance has a direct feedback on the economy.
5	Zhuo (1998)	China; 1995 and 1986 - 1995	The impact of income on insurance consumption in China	Cross-regional and time series	Consumer price index, children-dependency of insurance policy holder, level of education and GDP per capita	That income, consumer price index an GDP per capita are positively and significantly related to insurance consumption
7	Catalan, Impavido and Musalem (2000)	14 OECD and five developing countries; 1975 - 1997	Causality of insurance assets and GDP growth	Granger Causality	Market capitalization and economic growth	They found a positive relationship between market capitalization and economic growth.
9	Szablicki (2002)	63 countries consisting both developed and	Causality between life insurance, income and	Panel regression	Life insurance, banking sector	The author found a positive relationship

		developing (1960-1996)	socio-economic		development, level of education income and socio-economic status	exist between insurance consumption and life insurance, banking sector development, level of education and income
10	Boon (2005)	Singapore	the supportive role of commercial banks, stock markets and the insurance sector growth in Singapore	Granger causality	Bank loan, stock market capitalization, insurance funds and economic growth.	He found that there exists a short and long run causality between bank loan and GDP with a bidirectional relationship between capital formation and bank loan.
11	Kugler and Ofoghi (2005)	UK; 1966 - 2003	The long-run relationship between insurance premiums and economic growth in United Kingdom	Granger causality	Insurance premiums and economic growth	In the short run, causality exists in life, liability and pecuniary loss insurance to GDP.
12	Arena (2006)	56 countries (both developed and developing	Causality between insurance and economic	GMM	total premiums, life premium, non-life	The study found that life insurance is significant

		countries); 1979 - 2004	growth		premiums and GDP	for growth in high income countries while for both country groups non-life insurance play substantial part in influencing growth.
13	Wadlamannati (2008)	India; 1980-2006	the effects of insurance growth and reforms on economic development in India	OLS	insurance penetration (life, non-life and total and GDP	The study found a positive relationship between the insurance sector's contribution and economic development.
14	Poposki, Curak and Loncar (2009)	10 countries between 1992-2007	Relationship between insurance sector development and economic growth in 10 transition European countries	Two stage least squares and Panel	GDP growth, GDP per capita, private credit, stock capitalization, investment, openness, education and inflation	They found that positive relationship exist between insurance sector and economic growth and statistically significant
15	Ching, Kogid and Furuoka (2010)	Malaysia	Causal relationship between life insurance and economic growth in the case of Malaysia	Granger causality	life insurance and the real GDP	They found that long-run relationship exists from life insurance to economic growth, while short-run

						relationship exists from the real GDP to insurance.
16	Han et al. (2010)	77 countries ;1994 to 2006	Long-run relationship between insurance development and economic growth for 77 countries	GMM	used insurance density and GDP per capita	They found weak evidence that linked insurance and economic growth together but there is a strong argument that the extent and level of development in the insurance sector is crucial to growth.
17	Bianchi et al. (2011).	30 countries	Potential growth of the insurance markets in Central, Eastern and Southeastern Europe (CESEE)	Fixed effects panel regression	Insurance premium Growth and real GDP growth	They conclude that in CESEE insurance market is closely linked with economic growth for the region.
18	Feyen et al. (2011)	90 countries; 2000-2008	Determinants of life and Non-life insurance premiums	Panel data analysis	They found per capita income, demographic structures, size of the public	They found that per capita income, demographic structures, size of the

					pension system, ownership structure of insurance companies, population density and size, existence of private credit and religion.	public pension system, ownership structure of insurance companies, population density and size, existence of private credit and religion are drivers of insurance premiums.
19	Kjosevski (2011)	Macedonia- 1995 - 2010	The impact of insurance on economic growth in the Republic of Macedonia.	Multiple regression model	Life insurance, non-life insurance and total insurance penetration	The study found a positive and significant correlation between insurance sector development and economic growth.
21	Chang, Chiang Lee and Chang (2014)	10 countries, 1979-2006. (France, Japan, Netherlands, Switzerland, the UK, USA, Canada, Belgium, Sweden and Italy)	insurance activity and economic growth	Panel Granger causality	Total insurance, life insurance, non-life insurance and GDP	They concluded that insurance activities promote growth but the insurance activity indicator varies across countries.
22	Firtescu	29 European	Influencing	Panel data	Life insurance	The author

	(2014)	countries; 2000-2011	factors on European Life insurance market during crisis		gross direct premiums written, total employment, GDP per capita(in euro), households Internet access, life insurance number in enterprises, life insurance number of persons employed, life insurance personnel costs	found that the numbers of enterprises, personnel costs, GDP per capita, access to the Internet are positive and statistically significant in influencing life insurance gross direct premiums written.
23	Petrova (2015)	80 countries; 2001-2012	relationship between insurance market activity and economic growth in 80 countries	Granger Causality	GDP, life and non-life insurance premium	The result showed a positive and bidirectional relationship between insurance sector and economic growth in most countries in the long-run on the aggregated level but the stories was different for the disaggregated

						outcome.
24.	Oke (2012)	Nigeria; 1985-2009	Impacts of insurance sector development on the Nigerian economic growth and development	Time series (co-integration and Error correction model)	GDP, premium life insurance, premium non-life insurance, number of insurance companies, total insurance investment and inflation rate	
25	Madukwe and Anyanwaokoro (2014)	Country specific (Nigeria, 2000 - 2011)	Causal relationship between life insurance business and economic growth	Pearson Correlation	GDP and Life insurance business	They found a high degree of causality between life insurance business and economic growth.

Source: Author's computation, 2015

APPENDIX 2

DESCRIPTIVE STATISTICS OF ANALYSED DATA

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.760	.742	39

Source: SPSS output, 2015

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Respondent’s sex	218	1	2	1.55	.499
Age of respondent	218	1	5	3.35	1.123
Educational status	218	1.00	4.00	1.7156	.83795
Years of Exp	218	1	5	3.39	1.358
Experience in oil &gas	218	1	5	2.75	1.501
Job categories	218	1.00	3.00	2.7661	.58817
Valid N (listwise)	218				

Source: SPSS output, 2015

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Respondent’s sex	218	1	2	1.55	.499
Age of respondent	218	1	5	3.35	1.123
Educational status	218	1.00	4.00	1.7156	.83795
Yrs. of Exp.	218	1	5	3.39	1.358
Experience in oil/gas	218	1	5	2.75	1.501
Job categories	218	1.00	3.00	2.7661	.58817
Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?	218	1.00	3.00	1.9954	.41290

Are you part or contributor to the Local Act?	218	1.00	3.00	1.7339	.86554
Has Local Content been beneficiary to the insurance industry?	218	1.00	3.00	2.1101	.41492
Has the implementation of Local Act increased capacity?	218	1.00	2.00	1.9220	.26876
Has the Act raised your company's oil and gas premium earned?	218	1.00	3.00	1.9450	.35495
Valid N (listwise)	218				

Source: SPSS Output, 2016

Statistics

		Respondents sex	Age of respondent	Educational status
N	Valid	218	218	218
	Missing	0	0	0

Source: SPSS output, 2015

Respondent's Sex

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	female	98	45.0	45.0	45.0
	Male	120	55.0	55.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

Age of the Respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Below 30	12	5.5	5.5	5.5
	30 – 40	32	14.7	14.7	20.2
	41 – 45	85	38.9	38.9	59.2

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
	46 – 50	45	20.6	20.6	79.8
	51 and above	44	20.2	20.2	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Educational Status of the Respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Graduate	103	47.2	47.2	47.2
	MBA/MSC	87	39.9	39.9	87.2
	PhD	15	6.9	6.9	94.0
	Others	13	6.0	6.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

Working Experience of respondents

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Less than 5 years	36	16.5	16.5	16.5
	6 - 10 years	22	10.1	10.1	26.6
	11 - 15 years	24	11.0	11.0	37.6
	16 - 20 years	92	42.2	42.2	79.8
	21 and above	44	20.2	20.2	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

Years of Experience in Oil and Gas

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Less than 5years	62	28.4	28.4	28.4
	6 - 10years	48	22.0	22.0	50.5
	11 - 15years	34	15.6	15.6	66.1
	16 -20years	30	13.8	13.8	79.8
	21 and above	44	20.2	20.2	100.0

	Total	218	100.0	100.0	

Source: SPSS Output, 2015

Job categories

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Oil sector	18	8.3	8.3	8.3
	Regulator	15	6.9	6.9	15.1
	Insurance sector	185	84.9	84.9	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015.

Age of the Respondent * Respondents' sex Cross-tabulation

Count

		respondents sex		Total
		Female	Male	
Age of respondent	Below 30	7	5	12
	30- 40	16	16	32
	41=45	30	55	85
	46 - 50	22	23	45
	51 and above	23	21	44
Total		98	120	218

Source: SPSS Output, 2015.

Age of respondent * Educational status Cross tabulation

Count

		Educational status				Total
		Graduate	MBA/MSc	PhD	Others	
Age of Respondent	Below 30	8	1	0	3	12
	30 - 40	14	7	9	2	32
	41 - 45	27	50	2	6	85
	46 - 50	23	16	4	2	45
	51 and above	31	13	0	0	44
Total		103	87	15	13	218

Source: SPSS Output, 2015

To what extent have insurance companies increase their indigenous capacity in the last five years?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	capacity increased by 10%	55	25.0	25.0	25.0
	capacity increased by 15%	98	45.0	45.0	70.0
	capacity increased by 30%	65	30.0	30.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

In which area has the operator increased their expertise in the oil and has insurance?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Training	44	20.0	20.0	20.0
	Overseas exposure	20	9.0	9.0	29.0
	increase in reinsurance Treaty	11	5.0	5.0	34.0
	increase in capital base	8	4.0	4.0	38.0
	Two or more of the above	135	62.0	62.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

In the next five years, to what percentage do you think the indigenous insurance companies would be underwriting oil and gas risks?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Achieve more than 30%	120	55.0	55.0	55.0
	Between 31 -50%	76	35.0	35.0	90.0
	Between 51 -70%	22	10.0	10.0	100.0
	Total	218	100.0	100.0	

Source: SPSS output, 2015

How will you rate the effort of the regulators in ensuring the implementation of the Local Content Act?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Below 20%	17	8.0	8.0	8.0
	Not above 40%	129	59.0	59.0	67.0
	Not above 50%	50	23.0	23.0	90.0
	Above 50%	22	10.0	10.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015.

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?	71.354	217	.000	1.99541	1.9403	2.0505
Are you part or contributor to the Local Act?	29.578	217	.000	1.73394	1.6184	1.8495
Has Local Content been beneficiary to the insurance industry?	75.088	217	.000	2.11009	2.0547	2.1655
Has the implementation of Local Act increased capacity?	105.590	217	.000	1.92202	1.8861	1.9579
Has the Act raised your company's oil and gas premium earned?	80.904	217	.000	1.94495	1.8976	1.9923

Source: SPSS Output, 2015

Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?

	Observed N	Expected N	Residual
Strongly Agree	19	72.7	-53.7
Agree	181	72.7	108.3
Disagree	18	72.7	-54.7
Total	218		

Source: SPSS Output, 2015

Are you part of or contributor to the local Act?

	Observed N	Expected N	Residual
Strongly Agree	118	72.7	45.3
Agree	40	72.7	-32.7
Disagree	60	72.7	-12.7
Total	218		

Source: SPSS Output, 2015

Has Local Content been beneficiary to the insurance industry?

	Observed N	Expected N	Residual
Strongly Agree	8	72.7	-64.7
Agree	178	72.7	105.3
Disagree	32	72.7	-40.7
Total	218		

Source: SPSS Output, 2015

Has the Act raised your company's oil and gas premium earned?

	Observed N	Expected N	Residual
Strongly Agree	20	72.7	-52.7
Agree	190	72.7	117.3
Disagree	8	72.7	-64.7
Total	218		

Source: SPSS Output, 2015

In which area has the operator increased their expertise in the oil and has insurance?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Training	44	20.0	20.0	20.0
	Overseas exposure	20	9.0	9.0	29.0
	Increase in reinsurance Treaty	11	5.0	5.0	34.0
	Increase in capital base	8	4.0	4.0	38.0
	Two or more of the above	135	62.0	62.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

In the next five years, to what percentage do you think the indigenous insurance companies would be underwriting oil and gas risks?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Achieve more than 30%	120	55.0	55.0	55.0
	Between 31 -50%	76	35.0	35.0	90.0
	Between 51 -70%	22	10.0	10.0	100.0
	Total	218	100.0	100.0	

Source: SPSS Output, 2015

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Are you conversant with the Nigerian oil and gas domestication policy	87.4200	5.850	.688	.	.782
Has Local Content Act been beneficiary to the insurance industry?	75.2500	1.200	.704	.	.795
Were you part of or a contributor to the Local Content Act	73.6400	15.100	.634	.	.824
Has Local Content Act reduced capital flight in insurance of oil and gas underwriting?	81.9200	18.300	.639	.	.817
Has the implementation of Local Act increased capacity?	72.6200	3.800	.548	.	.792

Source: SPSS Output, 2015

Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy? * Has the implementation of Local Act increased capacity? Cross-tabulation

Count

		Has the implementation of Local Act increased capacity?		
		Strongly agree	Agree	Total
Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?	Strongly Agree	7	12	19
	Agree	4	177	181
	Disagree	6	12	18
Total		17	201	218

Source: SPSS Output, 2015

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.476[a]	2	.000
Likelihood Ratio	33.051	2	.000
Linear-by-Linear Association	.318	1	.573
N of Valid Cases	218		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 1.40.

Source: SPSS Output, 2015.

Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content policy? * Has Local Content been beneficiary to the insurance industry?

Crosstab

Count

		Has local content been beneficiary to the insurance industry?			Total
		Strongly Agree	Agree	Disagree	
Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content Policy?	Strongly Agree	6	7	6	19
	Agree	2	164	15	181
	Disagree	0	7	11	18
Total		8	178	32	218

Source: SPSS Output, 2015

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	89.887[a]	4	.000
Likelihood Ratio	57.060	4	.000
Linear-by-Linear Association	19.381	1	.000
N of Valid Cases	218		

a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is .66.

Source: SPSS Output, 2015.

Are the insurance practitioners conversant with the Nigerian oil and gas Local Content policy? * Has the Act raised your company's oil and gas premium earned?

Crosstab

Count

		Has the Act raised your company's oil and gas premium earned?			Total
		Strongly Agree	Agree	Disagree	
Are the Insurance practitioners conversant with the Nigerian oil and gas Local Content policy?	Strongly Agree	2	12	5	19
	Agree	11	169	1	181
	Disagree	7	9	2	18
Total		20	190	8	218

Source: SPSS Output, 2015

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	58.224[a]	4	.000
Likelihood Ratio	37.602	4	.000
Linear-by-Linear Association	13.921	1	.000
N of Valid Cases	218		

a. 4 cells (44.4%) have expected count less than 5. The minimum expected count is .66.

Source: SPSS Output, 2015

APPENDIX 3

Middlesex University, London

Institute for Work Based Learning

Covering Letter

Dear Sir/Madam,

RE: DOMESTICATION OF OIL AND GAS INSURANCE IN NIGERIA

I am a postgraduate student in the above-named institution. I write to solicit your support to complete this questionnaire for a survey on the Domestication of Oil and Gas Insurance in Nigeria as a part of requirement for the completion of my DProf professional practice degree in the above-named institution.

The aim of this survey is to investigate into the challenges of domestication of oil and gas insurance underwriting in Nigeria.

The findings of this research will inform policy decision on the effectiveness of the Local Content Policy in Nigeria, especially in the insurance business.

This questionnaire will be left with you for a period of three days to complete and I appreciate your time and support. The information supplied will be treated with utmost confidentially. Your sincere response will be much appreciated, as that will go a long way in affecting the validity of the final result.

Thanks for your cooperation.

Laniyi Sammy Abraham

Student No.: M00324690
+234 8038151415/+447946490375dc

APPENDIX 4

QUESTIONNAIRE

Section A: Instruction, please kindly tick (√) as appropriate in the gaps where necessary.

Section (A): Socio-economic Characteristics of the Respondent

(1) What is your Sex? (a) Male ( ) (b) Female ( )

(2) Age (a) Below 30 ( ) (b) 30 – 40 ( ) (c) 41 – 45 ( ) (d) 45 – 50 ( ) (e) 51 and above ( )

(3) Educational Qualification (a) Graduate ( ) (b) MBA/MSc ( ) (c) PhD ( ) (d) Others, please specify………..

(4) If you have any professional qualification please specify…………….

(5) Working experience: (a) less than 5 ( ) (b) 6-10 ( ) (c) 11-15 ( ) (d) 16-20 (e) 21 above

(6) How long have you been engaged in the oil and gas insurance sector?

(a) Less 5( ) (b) 6-10 ( ) (c) 11-15 (d) 16-20 ( ) (e) 21 and above ( )

(7) Which area of these sectors are you engaged in? (a) Oil sector ( ) (b) Regulators ( ) (c) Insurance industry ( )

(8) At what capacity? (a) Manager and below ( ) (b) General Manager and below ( ) (c) Chief Executive and below ( )

(9) Are you conversant with the Nigerian oil and gas domestication policy (Content Act)

(a) Yes ( ) (b) No ( ) (c) Uncertain ( )

(10) If yes, for how long? (a) 6 years ( ) (b) 5 years ( ) (c) 4 years ( ) (d) 3 years ( ) (e) 2 years ( ) (f) less than 1 -1year ( )

(11) If your option is insurance industry in question 7, which category in the insurance industry do you belong to? (a) Broker ( ) (b) Insurance company ( ) (c) Agent ( ) (d) Reinsurance company ( )

(12) If insurance, your reinsurance partners, are they (a) Indigenous ( ) (b) Foreign ( )

(13) If foreign, where are they based ?……………….

(14) What is the level of your oil and gas premium? (a) 11m-50m ( ) (b) 51m-200m ( ) (c) 201m-500m ( ) (d) Above 501m

(15) What percentage of your gross income is related to oil and gas? (a) 15% ( ) (b) 20% ( ) (c) 25% ( ) (d) 20% ( ) (e) 25% ( )

(16) If your option to question 7 is oil sector, which category of the oil sector do you belong to?

(a) Exploration ( ) (b) Marketing ( ) (c) Drilling ( )

(17) Do you have technical/reinsurance partners? (a) Yes ( ) (b) No ( ) (c) Not sure ( )

(18) If Yes, are they (a) Nigerians ( ) (b) Foreigners ( )

(19) If foreign, where are they based ……………...

(20) If your option to question 7 is regulator, what is your year of experience in oil and gas insurance? (a) Less than 1 to 2 ( ) (b) 3-5 ( ) (c) 6-10 ( ) (d) 10 and above ( )

(21) In drafting the Content Act which of these categories was consulted? (You can tick more than one) (a) Oil companies ( ) (b) Insurance companies ( ) (c) Lost Adjusters ( ) (d) Reinsurance ( ) (e) Other oil producing countries ( )

SECTION B

Please, kindly provide (to the best of your knowledge) your opinion(s) to the following questions.

(22) In your own view, to what degree has the Content Act reduced capital flight from Nigeria? ………………………

(23) Why do you think the capital flight from Nigeria has not been reduced to the barest minimum? ………………………

(24) To what extent do you think the insurance companies have increased their indigenous capacity in the last five years? ………………………

(25) Which suggestions would you offer the insurance companies in order for them to increase their indigenous capacity? ……………………..

(26) Kindly give reasons why insurance companies are not increasing their indigenous capacity ………………………….

(27) Enumerate the challenges facing the Nigerian insurance companies in increasing their indigenous capacity ………………

(28) Kindly identify the pitfalls, such as reinsurance treaty and human capital known to you with in relation to other oil-producing countries with regard to their Content Act ……………………

(29) In what ways are these pitfalls noticeable in the light of the Nigerian Content Act? ……………

(30) How can these pitfalls be avoided in the Nigerian oil and gas insurance industry? ……………………..

(31) In your opinion, to what extent has the Local Content Act been implemented by insurance companies in Nigeria from your own office experience? ……………..

(32) As a practitioner, how could you describe the introduction of the Content Policy by the government? (a) Lopsided ( ) (b) Total ( ) (c) Embarrassing ( )

(33) Give reasons for your option in the above question ………………….

(34) What are the workable solutions on how high-tech risks like those of oil and gas will be underwritten locally? …………………

(35) Identify the challenges being faced in the implementation of the Local Content Act ………………………

(36) Give reasons for your option(s) in the above question …………………

(37) In what ways has the Content Act been beneficiary to the insurance industry and the Nigerian economy? ………………….

(38) How have the active local operators in the sector reduced capital flight? ……………….........

(39) How has the Act affected your company's premium income? ……………………..

(40) To what extent has the operators increased their expertise in the oil and gas insurance? ………………………………

(41) What programme would you put in place to help your organization meet the requirement(s) of the Local Content Act? ………………..

(42) Are there in place programmes to expose practitioners to the challenges and opportunities available to the industry in operating fully in the local content regime? ………………

(42) What do you think are the hindrances to the insurance industry in benefiting from the Content Act? …………………………….

(43) In what ways do you feel that the insurance companies need to increase their underwriting capacities in the oil and gas? ……………..

(44) In the next five years, to what percentage do you think the indigenous insurance companies would be underwriting oil and gas risks? …………..

(45) Kindly provide your reason(s) for your response to the above question. …….

(46) How will you rate the effort of the regulators in ensuring the implementation of the Local Content Act?

………………………………………………………

(47) Has the Nigerian insurance industry played active roles in providing the necessary covers and protections for oil and gas risks originating from the country? ....

(48) Kindly suggest processes of improving the local capacity to write oil and gas risk in line with the local content……………………………………………..

(49) Kindly highlight the challenges confronting the industry in domesticating oil and gas risk………………………………………………..

(50) How has the Local Content Act been viable in assisting the Nigerian insurance companies in underwriting oil and gas risk? ……………………………….

APPENDIX 5

GUIDELINES FOR OIL AND GAS INSURANCE BUSINESS

ISSUED BY THE NATIONAL INSURANCE COMMISSION, ABUJA – NIGERIA

PURSUANT TO THE PROVISIONS OF THE INSURANCE ACT 20 03 AND THE NATIONAL INSURANCE COMMISSION ACT I997

1.0 Introduction

1.1 The National Insurance Commission (hereinafter referred to as the Commission) has the primary responsibility for regulating insurance business in Nigeria and is collaborating with the Nigerian Content Development and Monitoring Board (NCDMB) to ensure compliance with relevant provisions of the Nigeria Oil & Gas Industry Content Development Act 2010 and other laws relating to insurance.

1.2 This Guideline is issued pursuant to the provisions of Section 50 of the Nigeria Oil & Gas Industry Content Development Act 2010, the Insurance Act 2003 and the National Insurance Commission Act 1997, for the purpose of establishing uniform set of rules, regulations and standards for contracts of insurance within the Oil & Gas industry in Nigeria.

1.3 This Guideline is intended to facilitate compliance with the Nigeria Oil & Gas Industry Content Development Act 2010 as well as ensure value-added service(s) within the context of the Insurance Act 2003 and the National Insurance Commission Act 1997.

1.4 Consequently, the rules contained hereunder shall guide the operation of Oil and Gas insurance business in Nigeria.

2.0 General Requirements

2.1 All Oil & Gas and associated insurance businesses shall be conducted in accordance with relevant sections of the Insurance Act 2003, the National Insurance Commission Act 1997 and the Nigeria Oil & Gas Industry Content Development Act 2010.

2.2 A person or organization who intends to insure any property located in Nigeria, whether moveable or immoveable, or any insurable interest or liability in relation thereto, shall place such insurance with insurers registered in accordance with the Insurance Act 2003 who may, subject to the Commission's approval, reinsure the excess overseas where the Nigerian insurance industry lacks adequate capacity to retain the risk.

2.3 No person or organization shall transact an insurance or reinsurance business with a foreign insurer or reinsurer in respect of any life, asset, interest or other properties in Nigeria, classified as domestic insurance unless with a company registered under the Insurance Act 2003.

2.4 All insurance arrangements, agreements, contracts or memoranda of understanding relating to any operation or transaction in the Nigerian Oil & Gas industry shall be in conformity with the Insurance Act 2003 and relevant provisions of the Nigeria Oil & Gas Industry Content Development Act 2010.

2.5 No insurance risk in the Nigerian Oil & Gas industry shall be placed overseas without the written approval of the Commission which shall ensure that Nigerian Local Capacity has been fully exhausted.

2.6 The establishment of underwriting terms and conditions for any Oil & Gas Insurance Business in Nigeria shall be the responsibility of the insurer/ceding office.

2.7 A person or organization who contravenes the provisions of paragraphs 2.2. and 2.3 above shall be liable to a penalty:

i. In respect of sub-section 2.2, to the equivalent of 10 times the amount of premium paid with regards to the policy issued; and

ii. In respect of sub-section 2.3, to the equivalent of 5 times the amount of premium involved in the business transacted.

3.0 Local Capacity of Insurance Companies

3.1 "Local Capacity" shall be defined as the aggregate capacity of all Nigeria registered insurers and reinsurers which shall be fully exhausted prior to any application for approval to reinsure any Nigerian Oil & Gas risks overseas.

3.2 An Insurer's capacity for Oil & Gas Policies shall be the net retention of that insurer plus its reinsurance treaty capacity. The reinsurance treaty capacity of a consortium of insurers is also acceptable. Any other reinsurance facility, other than treaty is acceptable as an insurer's capacity, provided there is evidence that the risk has attached and cover provided by an acceptable Security.

3.3 Where the reinsurance capacity is provided by a foreign reinsurer, it shall be with a company having a minimum Financial Strength Rating (FSR) of "A-" Standard & Poor's (S&P) or "A" A.M. Best.

3.4 Any insurance company or reinsurance broker intending to reinsure/place any Oil & Gas risks abroad must apply for Approval-in-Principle (AIP) and subsequently, Letter of Attestation and Certificate to Reinsure Abroad.

3.4.1 Approval-In-Principle to Reinsure Abroad (AIP)
All requests for Approval-in-Principle to place a specified proportion of risk abroad must be accompanied by the following:

a. Evidence of exhaustion of local capacity.
b. Evidence of having interested all other Local Insurers/Reinsurers and their responses (declination) thereto.
c. Risk details which may be in form of quotation stating the full details of the risks.
d. Sum insured.
e. Proportion of the risk to be retained in the Nigeria market
f. Proportion of the risk to be ceded abroad.
g. Details of the intended foreign reinsurer(s) and/or placement broker(s) stating:
(i) Name of the company(ies),
(ii) Addresses,
(iii) Proportion of risk to be taken, and
(iv) Phone numbers/email addresses of contact persons.
(v) Financial strength rating of the intended foreign reinsurer(s).
h. Schedule of participating local underwriters.

i. An undertaking to make details of the placement available on conclusion of the placement.
j. An undertaking to remit the corresponding 1% Levy to the Commission within 15 days of the receipt of the AIP.
k. Evidence of conformity with the Nigerian Civil Aviation Authority (NCAA)'s current minimum passenger liability limit in relation to Aviation risks.
l. Such other requirements as may be prescribed by the Commission from time to time.

3.4.2 Letter of Attestation and Certificate to Reinsure Abroad
All requests for Letter of Attestation and Certificate to Reinsure Abroad must be accompanied by the following:
a. Risk details.
b. Sum insured
c. Premium Calculation Sheet.
d. Proportion of the risk retained with Local Insurers.
e. Signed slip of local underwriters.
f. Proportion of the risk to be ceded abroad.
g. Policy documents which will state the policy wordings, conditions and exceptions/exclusions, etc or subject to policy wording being already agreed or an undertaking to provide the policy wording when it has been agreed.
h. Details of foreign brokers and Commissions payable.
i. Details of the foreign reinsurer(s) stating:
(i) Name of the company(ies),
(ii) Addresses,
(iii) Proportion of risk to be taken, and
(iv) Phone numbers/email addresses of contact persons.
(v) Financial strength rating of the foreign reinsurers.
j. Schedule of local underwriters including the endorsed placement slip.
k. Evidence of payment of 1% of Gross Premium ISS levy payable to the Commission.
l. Evidence of conformity with the Nigerian Civil Aviation Authority (NCAA)'s current minimum passenger liability limit in relation to Aviation risks.
m. Such other requirements as may be prescribed by the Commission from time to time.

4.0 Reinsurance Arrangement/Security

4.1 All reinsurance arrangements with a foreign reinsurer shall be with a company having a minimum financial strength rating (FSR) of S&P "A-" or A.M. Best "A" rated companies.

4.2 Treaty reinsurance arrangements shall be construed as part of an insurers' capacity for the purpose of determining local capacity or retention. Any other reinsurance programme/facility shall be acceptable in determining local capacity or retention only after the security has been confirmed for each risk.

4.3 All facilities shall be admitted subject to "value added" such that the insurer gain and/or improve upon technical knowledge of risks within the Oil & Gas industry.

4.4 Without prejudice to any other directive contained in the Commission's Operational Guidelines (for Insurers/Reinsurers and Intermediaries), all Insurers writing Oil & Gas business are required to submit to the Commission a copy of any reinsurance arrangement as stated in 4.2 above for the following year on or before 15th December of every year.

4.5 Failure to comply with 4.4 above shall be construed by the Commission to mean the insurer intends to transact Oil & Gas business for the following year for its sole account on a net retention basis only.

4.6 Where the affected company accepts business in contravention of Section 4.4 and 4.5 of this Guideline, the Company shall be penalized in accordance with relevant provisions of the National Insurance Commission Act 1997 and the Insurance Act 2003.

5.0 Participation Criteria - Insurers

5.1 All Nigerian registered insurers are eligible to participate in any Nigeria Oil & Gas Insurance business, subject to the limitation as stipulated in the operational licence.

5.2 The certified true copy of licence and/or Certification (in the case of Consortium Bidding) issued by the Commission shall subsist for the purpose of determining authorization to transact Oil & Gas or Energy Insurance Business.

5.3 All insurers willing to participate directly in any Oil & Gas or Energy Insurance Business must provide evidence of possession of the following requirements:
i. Current Tax clearance certificate.
ii. VAT Registration.
iii. Evidence of Workmen's Compensation Insurance.
iv. Pension Registration and Group Life Insurance Certificate.
v. Certified True Copy of the insurer's operational licence.
vi. Department of Petroleum Resources (DPR) Permit.
viii. Latest Audited Accounts approved by the Commission.

5.4 Invitation to tender shall be for the purpose of determining insurance leader on a risk placement contract or on a broking slip.

5.5 Insurers intending to follow a Nigerian lead insurer shall respond to an invitation to tender indicating their willingness to follow the lead.

5.6 Notwithstanding sub-sections 5.1 to 5.5 above, an insurer found to have failed to settle any discharged claims may be excluded by a proposed insured directly or through his broker until such outstanding claims are paid.

5.7 Pool, Syndicates or Consortia Bidding shall be allowed subject to the following:
i. All consortia/syndicates shall have a contracting leader who will bid on behalf of its members.
ii. Members of the Consortium shall make available all documents required in the pre-qualification adverts to their contracting leader who will collate and submit a bid for and on behalf of the consortium on single entry basis.
iii. The liability of members of the consortium shall be joint to any insured and several amongst themselves. It is the responsibility of the leader of the consortium to coordinate the processing of the insured claims and to issue a single discharge voucher followed by issuance and delivery of cheque in settlement of the entire claim within 90 days.

iv. Where a member of the consortium fails to settle a claim, the leader of the consortium must settle in full.
v. Every consortium must be certified or approved by the Commission which shall be renewable annually.
vi. The Leader of the consortium/syndicate shall apply for renewal of the certificate on or before the 31st of December of each year.

5.8 Dual bid shall not be allowed. Thus an insurer can only bid on individual basis or as a member of a consortium.

6.0 Participation Criteria - Brokers

6.1 All Insurance Brokers holding current licence of the Commission shall be eligible to provide broking services in Oil & Gas insurance business.

6.2 Insurance Brokers intending to participate in Oil & Gas Insurance Business shall have an office in at least one of the Oil Producing States of Nigeria and shall file evidence of such with the Commission.

6.3 The Insurance Broker must possess a current professional indemnity policy with a minimum limit of liability of N100million.

6.4 The Insurance Broker must possess a certified true copy of its operational licence.

6.5 The Insurance Broker must possess the following requirements:
i. Current tax clearance certificate .
ii. Current VAT Registration
iii. Current Evidence of Workmen's Compensation Insurance
iv. Pension Registration and Group Life Insurance Certificate
v. Department of Petroleum Resources (DPR) Permit.
vi. Latest Audited Accounts

6.6 Any Insurance Broker, who desires to participate in any Oil & Gas Insurance placement, must have at least one experienced staff in Oil & Gas Insurance business in its employment.

6.7 Consortium bidding may be allowed for Insurance Brokers holding current licence of the Commission subject to the following:

i. All consortia/syndicates shall have a contracting leader who will bid on behalf of its members.
ii. Members of the consortium shall make available all documents required in the pre-qualification adverts to their contracting leader who will collate and submit a bid for and on behalf of the consortium on single entry basis.

6.8 All quotations submitted by an Insurance Broker must contain the following:
(i) Statement that the quotation is supported by a Lead Underwriter whose identity and participation must be clearly specified.
(ii) An undertaking that the quotation is valid for a period of thirty (30) days following the close of bid.
(iii) A selected broker that fails to secure placement of the risk at the quoted terms shall be disqualified from participating in subsequent Oil & Gas bids for a period not less than three (3) years.

6.9 An Insurance Broker who participates in any Oil & Gas Insurance business in contravention of the provisions of sub-sections 6.1 to 6.8 above shall be liable to a penalty equivalent to 5 times the Brokerage Commission receivable therefrom and may be banned from future participation in any Nigerian Oil & Gas insurance business.

7.0 Captives

7.1 Participation of a captive in its parent company's insurance business shall be subject to prior satisfaction of the Local Capacity.

7.2 Captives shall only participate to provide added capacity to Local Insurers.

7.3 Any captive willing to provide reinsurance capacity to a local insurer must meet the minimum financial strength rating under this Guideline.

7.4 A captive for the purpose of this section shall be any company wholly owned by the parent company and restricted to writing the insurance business of its parent company only.

8.0 Submission of Oil & Gas Insurance Returns

8.1 All Insurance companies are required to render quarterly returns on all Oil & Gas Insurance Contracts accepted within the quarter indicating the following details:

i. Name of the Insured

ii. Proportion of its shareholders' funds committed to its Oil & Gas insurance portfolio and its distribution between construction and operational risks acceptances.

iii. Nature of the Insurance;

iv. Aggregate and highest individual values at Risk

v. Proportion of per risk retained

vi. Premiums

vii. Name of Broker (s)

viii. Commissions paid

ix. Claims reported (if any);

x. Actual claims amount paid;

xi. Claims outstanding (if any) and reasons;

xii. Name of the Loss Adjuster (where necessary)

xiii. Annual progress Returns on Manpower Development (effective January 2012).

xiv. Such other requirements as may be required by the Commission from time to time.

8.2 The penalty for failure to submit the returns specified in 8.1 above shall be as prescribed by relevant sections of the Insurance Act 2003.

9.0 Commissions

9.1 All insurers and brokers shall be required to disclose and submit separate accounts on commissions received and their expense account.

9.2 All insurance business shall be transacted on gross premium basis only and no discount shall be paid out except as prescribed by the Insurance Act 2003 or regulation made by the Commission.

9.3 It shall be an offence punishable in accordance with the provisions of the Insurance Act 2003 to pay commission to any person who is not duly licensed by the Commission.

10.0 Claims Administration

10.1 Claims shall be administered in accordance with the standard insurance practice, except that in the case of a consortium; settlement of claims shall be the sole responsibility of the leader.

10.2 All discharged claims shall be settled immediately as prescribed by the Insurance Act 2003.

10.3 Failure to settle discharged claims shall attract sanctions as stipulated by Sections 70(2) of the Insurance Act 2003.

10.4 Consistent failure to settle discharged claims promptly may lead to the withdrawal of the licence of the insurer as stipulated by Section 8(1)(m) of the Insurance Act 2003 and the insurer may be wound up by the Commission in accordance with the provisions of sections 8 and 32(1)(b) of the Insurance Act 2003.

10.5 No foreign loss adjuster shall attend to any claims in the Nigeria Oil & Gas sector without the express permission of the Commission on such terms and conditions as may be stipulated in the approval. Similarly, the foreign loss adjuster shall handle the assignment with and in collaboration with at least one loss adjusters registered under the Insurance Act, 2003.

11.0 Prudential Standards

11.1 Reinsurance arrangements approved by the Commission shall be construed as part of an insurers' capacity provided it is structured to protect aggregate losses with maximum retention not being more than 5% of an insurer's Shareholders' Funds.

11.2 Where an insurer chooses to write any risk for its net account only without reinsurance backing and/or support described in Section 4.0, the insurer shall not commit more than 5% of its shareholders' funds as determined under prior year audited account approved by NAICOM.

11.3 Retention under any treaty or other reinsurance arrangements shall be aggregated on an annual basis per risk and shall not constitute more than 5% of shareholders' fund for operational risks and 2.5% of shareholders' fund for construction risks.

11.4 Failure to comply with the provisions of this section shall result in the company being banned from writing further business in this class and may lead to the suspension or withdrawal of its license as provided by the Insurance Act 2003.

12.0 Manpower Development

12.1 All Insurance companies and brokers participating in Oil & Gas shall be required to institute a process of manpower development and render annual progress returns to the Commission.

12.2 Evidence of submission of annual progress Returns on Manpower Development shall be a requirement for bidding, effective January 2012.

13.0 Conflict Resolutions

13.1 Where there is conflict between stakeholders on any requirements in respect of insurance matters in fulfillment of the provisions of the Nigerian Oil & Gas Industry Content Development Act 2010, the Commission shall clarify matters within the ambit of the Insurance Act 2003 and may do so in collaboration with the NCDMB.

APPENDIX 6

'LANIYI SAMMY ABRAHAM
Regency Alliance Insurance Plc
2, Ebun Street, Gbagada Expressway, Gbagada , Lagos, Nigeria

28th February, 2012

The Commissioner for Insurance
National Insurance Commission
Headquarters
Abuja

Dear Sir,

REQUEST FOR INFORMATION ON LOCAL CONTENT

I would appreciate being provided with and making use of information on Local Content Policy of Federal Government of Nigeria and roles of the insurance industry.

This includes the laws, status, pre and post enactment of policy and roles of the National Insurance Commission (NAICOM).

This is to enable me work on my Doctorate programme with Middlesex University.

Thank you.

Yours faithfully,

SAMMY OLANIYI

APPENDIX 7

Newspaper Clippings on Continental RE Insurance

TREND

Continental Re task West African insurers on capacity utilization

Continental Reinsurance Plc, Nigeria's biggest reinsurer has urged the West African Insurers to reduce capital flight in the region and ensure full utilization of the local reinsurance capacity in their area. The Managing Director, Continental Reinsurance, Dr. Femi Oyetunji, said this during the West African Insurance Companies Association educational conference, in Freetown, Sierra Leone.

He said, "In West Africa, there is need to tackle and stem capital outflows through developing higher local retention capacity, and insurers should ensure full utilization of local reinsurance capacity including pursuing pooling option." Oyetunji disclosed that the total premium earned by the West African insurers in 2011 was $2.5bn.

He urged the insurers to diversify branch networks across regional markets, leverage on WAICA for involvement and participation in regional trade discourse, and engage authorities to propound harmonization of legal and regulatory framework. According to him, encouraging the trade liberalization of markets for easier cross border trade in insurance was relevant.

He said they should promote the consolidation of markets for diversification and expansion of scope and scale. The reinsurer urged the underwriters to buy expertise across diverse discipline, instill appropriate insurance skills in them, train and continue to retrain their best talent.

According to him, there is the need for them to confront parochial and artificial regional political barriers that constrain cross border trade and their access to larger market. The region, he observed, was still fraught with challenges that must be overcome if the underwriters are to win in the new globalization dispensation.

Oyetunji said, "We must embrace technology and look outside the insurance world for growth inspiration solutions. We must institute international best practices across all facets of our operations." He urged them to borrow from emerging and developing market experiences, to study, customize and structure products for local environments; to adopt partner distribution, underwrite, price, and adopt business administration technology and management strategies.

While stressing the relevance of technology, he said that the insurers should adopt mass marketing techniques and experience penetration strategies, build new revenue streams through mobile commerce, mobile distribution, selling, paying and transaction systems.

The reinsurer said that they should partner retail and other enterprises with deeper customer reach, marketing flair and wider product ranges. According to him, they should partner vendors of household consumer products and introduce insurance adverts.

Oyetunji emphasized the need for the underwriters to pursue bancassurance initiative, access banking sector brick and mortar distribution networks. According to him, leveraging on banking sector brand loyalty and foot prints will help to increase insurance participation.

•Oyetunji
C. Re Boss

He also advised on cross selling with lending institutions across consumer and mortgage lending portfolios. The reinsurer also said that they should promote low priced and simple micro insurance schemes for marginalized rural and urban population.

NAIC Pays 500M to Farmers

The Nigerian Agricultural Insurance Corporation (NAIC) has so far paid over N500M as verified claims to insured farmers who were victims of the 2012 flood devastation, adding that more farmers who had already insured their agro allied businesses with the Corporation should also expect payment after due verification of their claim requests are completed.

Disclosing this during a sensitization workshop organized for extension workers and practicing farmers in Gombe state, the Managing Director of NAIC,- Dr Tijjani Garba urged farmers and other stakeholders to take advantage of NAIC services with a view to mitigating national disasters such as floods drought, pests invasion and other farm loses that are not man-made. He explained that NAIC only pays claims to the insured farmers and not to all victims of disasters and farm loses, adding that only the National Emergency Management Agency caters for all categories of disaster victims.

He urged farmers to form cooperative associations with a view to accessing loans from finance agencies as well as getting their farm holdings insured by NAIC and therefore assured the farmers of prompt claims payment in the event of farm loses that are not deliberate or due to negligence.

Responding, the programme Manager of the Gombe State Agricultural Development Programme (ADP), Mr Ishaya Y. Ngale commended NAIC for organizing the sensitization workshop where allextension workers from ADP were invited along with members of the Gombe State chapter of the All farmers Association of Nigeria (AFAN) to brainstorm and enhance their productivity.

He stressed that both the ADP extension officers and AFAN were therefore invited to the forum for exchange of ideas and for better understanding of NAIC operations for the benefits of all categories of farmers in the State. NAIC, ADP AND AFAN with a view to scaling- up the capacity of all stakeholders towards boosting food production and achieving food security in the State and the country at large.

The Risk Shield 7

APPENDIX 8

My letter to NAICOM on compliance

Sammy Olaniyi,

22, Ina Obasi Street, Garden Valley, Ogudu GRA, Lagos.
Tel: 08038151415, 07055515555 Email: soatanda@yahoo.com

15th August 2012

NATIONAL INSURANCE COMMISSION
RECEIVED
15 AUG 2012
Office of The Commissioner For Insurance

The Commissioner for Insurance
National Insurance Commission (NAICOM)
Headquarters
Abuja.

Dear Sir,

REQUEST FOR YOUR FINDINGS ON COMPLIANCE WITH LOCAL CONTENT GUIDELINES

I kindly request for a copy of your findings on Compliance with Local Content Guidelines as slated in your Annual Report and Audited Accounts for 2009.

I am a Ph.D. student of Middlesex University, United Kingdom and my research project is entitled: 'The Challenges of Domesticating Oil and Gas Insurance Underwriting in Nigeria'.

Please find attached copy of my identity card.

I will appreciate if my request is favourably granted.

Yours faithfully,

Sammy Olaniyi

APPENDIX 9

NAICOM response to my letter

NATIONAL INSURANCE COMMISSION

HEAD OFFICE: Plot 1239 Ladoke Akintola Boulevard Garki II, Abuja. P.M.B 457, Garki, Abuja, Nigeria ☎:09-8756021.
E-mail: info@naicom.gov.ng. website: www.naicom.gov.ng

09 – March – 2012.

Laniyi Sammy Abraham
Regency Alliance Insurance PLC
2, Ebun Street, Gbagada Express Way
Gbagada, Lagos.

RE: REQUEST FOR INFORMATION ON LOCAL CONTENT

We write with reference to your letter dated 28th February, 2011 requesting for information on local content Policy of the Federal Government of Nigeria and the roles of the insurance industry.

Please see below a list of useful information to aid your work on the Doctorate programme.

You can get copies of the following online:

1. Guideline for oil and gas business in Nigeria (www.naicom.gov.ng)
2. Nigerian local content Act 2010

Other publications that can be useful to you includes:

1. Clinton J. Uranta: The Development of Oil and Gas Insurance in Nigeria in insurance professionalism in Nigeria: A collection of Essays for the Golden Jubilee Anniversary of the Chartered insurance Institute of Nigeria. Lagos 2009
2. Angus Mather, (2000) Offshore Engineering; An Introduction. Witherby London
3. Sharp W. David; Offshore Oil and Gas Insurance. Witherby & Co. Ltd, London 1994

Wish you success on your Doctorate programme.

Kind regards

Babajide Oniwinde

REGENCY ALLIANCE INSURANCE PLC
19 MAR 2012
RECEIVED

Lagos Control Office: Alagbon, Ikoyi Road, Ikoyi, PMB 80144, VI Lagos. | Enugu Zonal Office: No. 15 Ibusa Independent Layout, Enugu

APPENDIX 10

Letter of permission from my office

INSURER

24th September, 2012

Laniyi Sammy Abraham
2, Ebun Street
Gbagada
Lagos.

Dear Sammy,

RE: REQUEST FOR USE OF DATA AND INFORMATION FOR MY DOCTORATE PROGRAMME IN PROFESSIONAL STUDIES

In response to your request for consent on the use of data and information for your project noted above, we hereby give consent to your request and trust that this would add value to our company particularly with the outcome of your research.

Best wishes.

BIYI OTEGBEYE
MANAGING DIRECTOR

Regency Alliance Insurance Plc. RC 223946
Regency Place: 2, Ebun Street, Gbagada Expressway, Gbagada, Lagos.
P. O. Box 70333, Victoria Island, Lagos, Nigeria. **Tel**: 01-8820468-9, 8971448, 8966177, 07084577999
E-mail: info@regencyalliance.com www.regencyalliance.com

DIRECTORS: Hon. Justice A. G. Karibi-Whyte [illegible] Mr. Sammy Olaiya (Executive), Ambassador Baba Gana Kingibe [illegible]

NIA

APPENDIX 11

My letter to NAICOM for data on Local Content

'LANIYI SAMMY ABRAHAM
Regency Alliance Insurance Plc
2, Ebun Street, Gbagada Expressway, Gbagada , Lagos, Nigeria

28th February, 2012

The Commissioner for Insurance
National Insurance Commission
Headquarters
Abuja.

Dear Sir,

REQUEST FOR INFORMATION ON LOCAL CONTENT

I would appreciate being provided with and making use of information on Local Content Policy of Federal Government of Nigeria and roles of the insurance industry.

This includes the laws, status, pre and post enactment of policy and roles of the National Insurance Commission (NAICOM).

This is to enable me work on my Doctorate programme with Middlesex University.

Thank you.

Yours faithfully,

SAMMY OLANIYI

APPENDIX 12

NIGERIAN INSURERS ASSOCIATION

(LIMITED BY GUARANTEE)

PLEASE ADDRESS CORRESPONDENCE TO THE DIRECTOR-GENERAL

NIA HOUSE
42, SAKA TINUBU STREET,
VICTORIA ISLAND,
P. O. BOX 9551,
LAGOS, NIGERIA.
TELEPHONE: 01-4604873
01-4605478
Website: www.nigeriainsurers.org.
E-mail: info@nigeriainsurers.org.

Our Ref:

10th June, 2015

Mr. Sammy Olaniyi
Executive Director
Regency Alliance Insurance Plc
2, Ebun Street,
Off Gbagada Expressway
Gbagada, Lagos.

Dear Sammy Olaniyi,

RE: REQUEST FOR INFORMATION ON LOCAL CONTENT ACT AS IT AFFECTS THE INSURANCE INDUSTRY

We acknowledge receipt of your letter dated 25th May, 2015 in respect of the above and hereby convey our support to you in carrying out your research.

Please feel free to come to our office for whatever information you may need from our library.

We will also appreciate if a copy of your research is sent to us for our library use.

Thank you.

Yours faithfully,

for: Head, Corporate Communications

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30th APRIL 2018

Research Degree Administration
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Dear Sir,

Re: **DPS PROJECT DPS5360-**
FULFILLING CONDITIONS AFTER VIVA VOCE
LANIYI SAMMY ABRAHAM – Dprof CANDIDATE NUMBER M00324690

Please find enclosed 2 copies each of my revised project highlighted in red the revisions carried out to meet the conditions and separate summary also in red attached. Additional references are also highlighted in red ink.

These were after my supervisor was satisfied with the viva conditions.

Conditions met:

Condition 1	- see pages(s)	26 - 33
Condition 2	- see pages(s)	115 - 119
Condition 3	- see pages(s)	123 - 125
Condition 4	- see pages(s)	197 - 203
Condition 5	- see pages(s)	211 - 218
Condition 6	- see pages(s)	136 - 137
Condition 7	- see pages(s)	232 - 234
Condition 8	- see pages(s)	234 - 239
Condition 9	- see pages(s)	239 - 245
Condition 10	- Action taken	

Condition 11 - Action taken – through an English University Professor and a Professional Reader in London.

I hope l have satisfactorily met the conditions for a final conferment letter.

Thank you.

LANIYI SAMMY ABRAHAM